ADDRESSES

DELIVERED AT

THE CHAMBER OF COMMERCE BEFORE THE COMMISSION TO INVESTIGATE THE NEW YORK CUSTOM HOUSE.

PUBLISHED BY THE NEW YORK CHAMBER OF COMMERCE.

ADDRESSES

OF THE

SPECIAL COMMITTEE

OF THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK,

ON

CUSTOMS REVENUE REFORM,

DELIVERED JUNE 4, 1877,

AT THE ROOMS OF THE

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

BEFORE THE COMMISSION APPOINTED TO INVESTIGATE THE NEW YORK CUSTOM HOUSE.

NEW YORK:
PRESS OF THE CHAMBER OF COMMERCE.
—
1877.

INDEX TO ADDRESSES.

MEMORANDUM.

The Commission appointed by the Secretary of the Treasury to investigate the Custom House at the port of New York, consisting of Honorable John Jay, Mr. Lawrence Turnure, and Mr. Joseph H. Robinson, met on the fourth day of June, eighteen hundred and seventy-seven, at the rooms of the Chamber of Commerce of the State of New York, in the city of New York, for the purpose of being addressed by the Special Committee on Customs Revenue Reform of the Chamber of Commerce. This committee, consisting of Mr. Jackson S. Schultz, Mr. Thomas Barbour, and Mr. Daniel C. Robbins, together with their counsel, Mr. Sherburne Blake Eaton, appeared before the Commission, and delivered the following addresses.

ADDRESSES.

ADDRESS OF MR. SHERBURNE BLAKE EATON.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMISSION:

I appear before you in behalf of the Committee on Customs Revenue Reform of the Chamber of Commerce of the State of New York. You have most generously consented to give one day to the members of that Committee, to enable them to formally present their views with reference to certain proposed changes and reforms in existing Customs laws and Treasury regulations, and in the methods of administering them. Your courtesy in granting this hearing, after you have already given the general subject prolonged and thorough investigation, is sincerely appreciated.

At the outset of my remarks, I desire to express to you the thanks of the Committee, and of the importers of New York whom the Committee represent, for the services you have rendered to them, and to the importing interests of the country, in your present investigation. My recent professional duties have brought me into direct intercourse with a very large number of our local importers, and I but give language to their sentiments, when I say that they all feel towards you a sense of personal gratitude for the laborious, thorough, and impartial manner in which you are conducting your work.

The Committee on Revenue Reform of the Chamber of Commerce consists of three members—Mr. Jackson S. Schultz, Mr. Thomas Barbour, and Mr. Daniel C. Robbins. This Committee was appointed at a general meeting of the Chamber of Commerce held on the 5th day of October, 1876. The resolutions under which the Committee was appointed provide that the members of

the Committee shall bring to the attention of Congress, at its next session, the importance of such modifications of the laws and regulations under which our revenue laws are enforced, as will make them intelligible to both merchants and government officials. The resolutions further provide that to more effectively promote the latter object, the Committee shall be empowered to co-operate with such committees as may be appointed by like bodies in the cities of Boston, Philadelphia, and Baltimore.

A similar committee was appointed by the Chamber of Commerce nearly four years ago, when our local importing interests were burdened with the evils of the moiety system, and of the law authorizing the seizure of books and papers. Two members of the present Committee were connected with that committee, and I had the good fortune to occupy the same relations as counsel to the latter, as I now occupy toward the present Committee. The committee of 1873 was accorded lengthy hearings by both branches of Congress, in which hearings we were assisted by delegations from the Boards of Trade of Boston, Philadelphia, and Baltimore, and the legislation then asked for at the hands of Congress, was promptly and abundantly given in the law known as the Moiety Act of June 22d, 1874. The success of the movement made at that time created a belief in the minds of the importers that their proper redress, when wrongs and irregularities became greater than they could bear, was to appeal directly to Congress.

After the present Committee had commenced its work, your Commission was appointed. To what extent you may be disposed, and may be able, to assist us we do not know ; but we believe that so far as you can help our cause, you will most willingly do so, and we further believe that your opinions and recommendations will have great influence with the Treasury Department. We therefore appear before you to state the result of our work, so far as it has been completed up to the present time, and to name in detail what modifications in existing laws and regulations our Committee have already decided upon asking.

I feel that the modifications about to be proposed to you are entitled to peculiar weight, from the fact that we know that they represent the wants and convictions of a very large number of our leading merchants. Our plan has been to place ourselves in direct communication with the principal importers of the city, and to submit to them in writing, for their criticism, such changes as are proposed, and to recommend only have such changes as received nearly unanimous approval. Nearly two hundred merchants, embracing most of the leading firms in every branch of business,

have responded to these letters, and have expressed in writing usually in detail, and at considerable length, their views touching these proposed changes. These letters have formed the basis of the modifications which I am about to present to you, and I will indicate, as I speak of the various proposed changes, the proportionate number of merchants approving and disapproving of each proposed reform.

The machinery for the collection of duties on imports consists of three parts : two of statutory law, and one of Treasury regulations. The two of statute law are, first, the rates and amounts of duties to be levied, and, second, the methods which Congress empowers the Executive to use in collecting those duties. The third part consists of detailed rules and instructions of the Treasury Department, consisting of a great variety of forms and regulations, which emanate from the Secretary of the Treasury, and have the sanction of statutory law. The laws regarding the rates and amounts of duties, this Committee does not propose to touch. For their present purpose, they accept as a fixed fact, that the amounts of duties realized from certain commodities, are not to be interfered with, and they limit themselves to the single task of trying to simplify, quicken, and cheapen the methods of collecting those duties.

I. The Abolition of the Naval Office.

The first change suggested by the Committee is the abolition of the Naval Office. This department of the Custom House is an expense to the government and an annoyance to the importer, and the only reason for continuing it is, that it affords a check upon the Collector. The ground taken by our Committee is, that, with competent subordinates in the Collector's Office, no check is necessary, further than that furnished by the Treasury Department.

The duties of the Naval Officer are set forth in Section 2626 of the Revised Statutes. The duties of the Collector are set forth in Section 2621. These two officers, so far as the duty of the Naval Officer extends, perform identically the same work. The Collector receives manifests and entries, the Naval Officer receives duplicates of them ; the Collector estimates duties, the Naval Officer estimates the same duties ; the one records these estimates, the other also records them ; the one signs permits, the other countersigns the same permits ; the one collects money, the other checks that collection ; the one disburses money, the disbursement is

checked by the other; the one prepares stated accounts and reports, the other examines and certifies these accounts and reports. Whatever the Naval Officer does, the Collector does. The office of the former, so far as it goes, is an exact duplicate of that of the latter, and if by any calamity either should cease to exist, every thing connected with it, to the last detail, could be supplied from the other.

Let me illustrate the transactions of the Naval Office by reciting the steps taken in connection with an entry of merchandise at our local Custom House. When an importer wishes to make an entry, he himself first examines the invoice and the bill of lading, and prepares two entry papers. These four papers—to wit, the invoice, the bill of lading and the two entry papers, the importer then hands to the Entry Clerk in the Collector's office. That officer, after examining the papers, hands them back, together with the permit, to the importer. He then takes his four papers and the permit to the Naval Officer, by whom the four papers are subjected to another examination, and by whom the permit is countersigned. This makes three examinations of the four papers: First, by the importer, whose interest and safety is in accuracy and honesty; second, by the Entry Clerk, representing the Collector; and, third, by the Naval Officer. The next step taken by the importer is to go to the Deputy Collector to make oath to his entry, and, after that, he goes to the Cashier's office to pay the duties. The Cashier, upon payment of the duties, gives to the importer the permit, the other papers being retained in the Custom House. The importer, next and finally, goes to the Deputy Collector to have the permit signed, and that signature completes the entry. The two entry papers find their way, one to the files of the Collector's office, and the other to the files of the Naval office. The Collector and Naval Officer both open itemized accounts, each on his own books, with all the merchandise contained in the entry; and each of these two officials spreads upon his own records all the details connected with the entry, to wit, the description and value of the merchandise, the rate of duty, the amount of duty, the final liquidation, and the disposition of the money realized from the duties.

The importers ask that this irksome and complicated system of making entries may be simplified, at least to the extent of abolishing the Naval Office; and the tax-payers ask that the expense of such an elaborate scheme for correcting errors and mistakes may be saved.

If the theory is a good one, that there should be duplicate offices

wherever large transactions are carried on, why is not such a theory adopted by individuals and corporations, or by the government with reference to other offices besides a few of the principal Custom Houses? I believe that, beginning with the office of the Secretary of the Treasury and ending with that of the most petty disbursing officer, no similar reduplication can be found. Certainly none exists in the organizations of private enterprise. If the government proposes to insist on this cumbersome system of checks, why not apply it to all offices, and why not have not only duplicate offices, but triplicates as well? There is an absurdity involved in the mere statement of such a proposition.

There are no Naval Offices at most of the ports of entry, the number of such offices being confined to a few of the leading ports. I see no reason why a Naval Officer is necessary at one port and not necessary at another, unless it be that the transactions in the one case largely exceed in gross amount the transactions in the other. That reason seems inadequate. If a clerk in a small Custom House can do his work without making mistakes, a clerk in a large Custom House can do the same ; and we believe that the multitude of clerks in the Collector's Office, if picked solely on merit, can make their classifications and computations without requiring another and independent department to do their work over after them. There can be no doubt that, with reference to at least a part of the work performed by the Naval Office, namely, the recasting of the Collector's items of disbursements, the check of the Naval Office is useless, both in theory and in practice. We believe that the rest of the work performed by that department is not worth to the Government the expense required to sustain it, to say nothing of the annoyance to merchants. It is therefore proposed to abolish the Naval Office altogether.

The opinions of the merchants, so far as any are expressed in their letters to the Committee, touching this proposal to abolish the Naval Office, stand as follows : seventy out of eighty-four in favor of the proposed abolition.

II. Oaths to Entries to be made before Notaries and Commissioners.

The next proposed change is that oaths to entries may be made before any Notary Public or United States Commissioner. This change is suggested simply for the convenience of the merchant. The present law, which is found in section 2841 of the Revised Statutes, necessitates the personal attendance of the principal at the Custom House, which, in a city of large distances, is often a

matter of great inconvenience, and causes a loss of time at the most valuable part of the day. Moreover, importers are frequently delayed, after they have reached the Custom House, while waiting to be sworn.

As the oath is now administered, and as it probably always will be administered, the taking of the oath is but the merest form. There are no surroundings at the Custom House adequate to give gravity to the occasion, but, on the contrary, the necessity for rapid work and the vast number of oaths administered during business hours unite to deprive the act of all solemnity.

This proposed change finds substantially unanimous approval in the letters received by the Committee, while eight firms, including three of the heaviest importing houses in the city, favor the total abolition of all oaths on entries, on the ground that, wherever taken, they are apt to be an empty form, that no one was ever punished for taking a false oath on an entry, that they tend to bring the solemnity of taking oaths into contempt, and that they are generally abolished by other nations. One other firm, one of the oldest and wealthiest in the city, suggests that oaths be entirely abolished, and that there be a provision of law whereby the signature to such documents as now require oaths shall carry with it all the force and be invested with all the penalties now attaching to an oath.

If oaths are to be continued, let the convenience of the importer be consulted by allowing him to appear before any official competent to administer oaths to be used in the courts of the State or of the United States. There can be no injury to the government, beyond the loss of the petty fees.

III. The Abolition of Triplicate Invoices.

The Committee suggest the abolition of the present system of triplicate invoices as provided for in section 2853 of the Revised Statutes.

This system of triplicate invoices was originated by the Act of March 3d, 1863, prior to which time, triplicate invoices had never been required. The system was meant to be an improvement on the Act of March 1st, 1823, which necessitated simply the production by the importer of a single invoice.

Triplicate invoices are a source of expense, because, under existing laws, at least four copies must be made—three for the government, and one for the merchant himself ; and each copy must be written out by itself, no press copies being allowed. Triplicates

are also a source of delay in shipping goods. This is emphatically true under the existing custom of ordering goods by cable, on the eve of the sailing of a particular steamer, when there is often not time enough to multiply invoices, in offices employing but a limited clerical force. Merchants complain that the secrets of their business are often exposed, the one of the triplicates filed for preservation in the Consular Office, being usually accessible to rivals in business.

IV. The Abolition of Consular Certificates.

Triplicate invoices and consular certificates, being parts of the same system, should be treated together. The Committee propose the abolition of triplicate invoices, also of the foreign declaration to accompany one of the triplicates, also of the consular certificate, all provided for in sections 2853 to 2855 of the Revised Statutes.

Consular certificates on all invoices were not required prior to the Act of July 14th, 1862. That Act was repealed by the Act of March 3d, 1863, which originated the system of triplicate invoices. The theory of this system is perhaps a good one. It is that a consul becomes an agent of the government to collect information relating to imports, and to collect samples of all goods shipped to the United States, and that he will make himself an authority upon market values, and will so familiarize himself with the prices of goods, by a comparison of invoices and otherwise, as to make himself a skilled instrument in detecting and preventing frauds.

It is generally admitted that this system, however good in theory, is practically a failure. Consuls do *not* become experts in value, nor do they regularly collect and forward samples, nor are they efficient instruments in discovering frauds ; even the revenue officials themselves paying but little attention to the statements of consuls, and rarely giving to their certificates any consideration. It is not too much to say that every importer can from his own experience furnish instances showing the ignorance and inefficiency of consuls touching the revenue laws and their administration, the letters received by the Committee containing numerous illustrations of this kind.

Two complaints are made against this system—to wit : the expense to the merchant, and the delay. The expense is now a larger item than it was formerly when there were less facilities for ordering goods, and when invoices were less frequent and of larger amounts. The statute, section 2851, authorizes a fee of $2.50 for

a certificate, and that amount is usually increased by another dollar, by local usages.

Delays, however, are a more serious complaint. Before merchandise can be shipped, three invoices must be made out for the consul, and his certificate must be obtained. If for any reason he is absent from his post, or if his office hours are either very short or are not strictly observed, the merchant may lose the opportunity of making his shipment on a certain day. The telegraph has revolutionized the system of doing business within the last few years. Instead of large importations made at the beginning of each season, frequent and small orders are now sent by cable, often with reference to the sailing of particular steamers. Into the merchant's calculations as to whether his goods will be shipped, there enters, under the present system of triplicates and consular certificates, the uncertain quantity of the length of time that may be required to pass his invoices through the consulate.

The power to detain invoices is another serious objection to the present system. It is given to consuls by section 2862 of the Revised Statutes. This discretionary power is sometimes abused, causing expense and vexatious delays to merchants, without any adequate benefit to the revenue.

Our Committee recommend that the entire system of triplicates, declarations, and certificates be abolished, and that the substantial provisions of the Act of 1823 be revived. Under that Act, entry was made on an invoice verified by the owner of the goods, such verification being made in this country if the owner was here, or before a foreign consul if the owner was abroad. The substantial requirement was simply this : that entry should be made on a sworn invoice verified by the actual owner of the goods, wherever he might be.

Ninety-seven merchants have expressed their views in writing on the proposition to abolish this system, ninety-two being in favor of the proposed abolition, and five being opposed to it.

V. The Payment of Duties in Certified Gold Checks.

The next modification is that duties may be made payable in certified gold checks. Under the existing custom the merchant takes to the Custom House the gold itself to pay the duty. This is both inconvenient and dangerous. If he intrusts his money to a Custom-House broker, he takes the chance of the broker's dishonesty. Some means should be devised to avoid the necessity of paying the money in specie. One importer suggests that the

United States Treasurer might be authorized to receive gold from the merchants, and to issue against it certificates of deposit payable to the order of the Collector. Another merchant suggests that the Collector might designate certain banks, the certified gold checks on which would be taken for duties. Still another merchant suggests that certified gold checks might be taken subject to the discretion of the Collector, thus leaving him free to protect the government in times of financial panic.

In this connection it should be remembered that for many years the government not only took checks in payment of duties, but also took promissory notes running on long time.

Our Committee believe that some improvement should be made in this matter, and have concluded to recommend the payment in certified gold checks, a proposition which meets with nearly the unanimous approval of importers.

VI. Entries to be passed Same Day the Papers are left at the Custom House.

We propose that a Treasury regulation shall be made requiring entries to be passed the same day they are left at the Custom House. This proposition meets with the unanimous approval of the merchants; many of the importers, however, in expressing in their letters their views on this point, state that they have no cause for complaint in this regard, their entries having been generally passed promptly.

VII. A Change from Ad Valorem to Specific Duties.

The Committee recommend a change so far as practicable from ad valorem to specific duties. No recommendation proposed by the Committee has excited so much interest among the importers as this. There seems to be a unanimous feeling in favor of *some* change to specific duties, the only difference of opinion being as to how far such a change is practicable. Many merchants complain that their lines of business are entirely ruined by the frauds perpetrated under ad valorem duties, and that a change to specific duties is a question of life and death with them.

The principles lying at the bottom of such a change are too vast to be discussed in this connection, the scope of my remarks requiring me simply to state such reasons as have induced the Committee to make the recommendation.

The reasons for this proposed change are as follows: first, the

Committee believe that the same amount of revenue can be collected under specific duties as under ad valorem duties, and that such revenue can be collected at much less expense; second, undervaluation will be prevented, and thus one of the great sources of fraud will be cut off; again, specific duties will compel the payment of like duties on like goods at all the different custom houses; lastly, there will be no possible premium on dishonesty. in making out invoices, and the honest merchant will no longer be compelled to pay higher rates of duties than the dishonest merchant. It is generally conceded that, unless ad valorem duties are abolished, especially on goods paying high rates of duty, honest merchants will be driven from business.

The vote of the merchants on this proposition, as appears by the letters received from them by the Committee, is as follows: one hundred and sixteen in favor of the proposed change to specific duties, and five against such change.

Many importers who have written us letters decline to express any opinion whatever on this point, owing, they say, to lack of special knowledge. The opinions of the five firms voting against the change to specific duties are as follows: Two firms object to specific duties on the ground that they are not practicable in their lines of business; two other firms, including one of the heaviest importing houses in the city, advocate a total abolition of *mixed* duties, but think that ad valorem duties, with competent appraisers, are preferable to specific duties; while the opinion of the other importer is that, with honest and efficient officials, ad valorem duties are more simple and easy of administration.

VIII. The Government to Retain in its Discretion the Whole or Any Part of an Invoice for not more than Ten Days.

The next suggestion of the Committee is that the government shall take physical possession of the entire invoice upon its arrival, and shall keep the whole of the same, or as much of the same as it may choose, for a period of ten days, during which time it shall examine and appraise the goods; and shall, at the expiration of the ten days, deliver the entire shipment to the merchant, together with his bill for duties. The object of this change is to prevent delays in examining and appraising goods, to compel officials to do their duty promptly, by giving them only a fixed time within which to perform it, and to enable the importer to know with absolute certainty just when he will get his goods, so

that he may make sales with confidence as to his ability to deliver what is sold.

The present system exists under sections 2789, 2899, and 2901 of the Revised Statutes. The principal objection to this proposed change will probably be found under the provisions of section 2789. That section provides that whenever an entry of merchandise is imperfect for want of invoices, bills of lading, or for any other cause, the Collector shall take the merchandise, and detain it in his own custody. It sometimes happens that unavoidable delays occur in making entries, and in such cases, it may be said, it would be impossible for the Collector to deliver the merchandise within ten days. Our answer to that objection is that in such cases the Collector shall take samples of the goods, and shall require a bond for double the amount of the invoice, and shall then, within the limitation of ten days, deliver the goods to the importer.

This plan meets with very general approval, and is in substance confirmed by most of the merchants who have sent us written communications, those favoring the change being in the proportion of thirteen in favor, to one against, seventy-nine voting for the change and six against it.

IX. Completion of Liquidation of Entry within Thirty Days.

Complaints are frequent touching delays in final liquidations of entries. One merchant has sent us a memorandum of his recent experience, where an entry was not liquidated until five years after it was made. This is an extreme case, but delays of many months, indeed of one year, are common. Where such delays occur, merchants never know when they are through paying duties on an importation,and can never tell how they stand with reference to any one transaction. There seems to be no good reason why the government should not be compelled by statute to complete its liquidation, and to render a final bill for duties to the merchant, within a limited time, which should not be longer than thirty days. It may here be remarked with reference to all limitations of time, both in this immediate connection and elsewhere, that under the present facilities for doing business, more can be accomplished by the merchant within a certain number of days than could have been accomplished in the same number of days when most of the existing laws were enacted, and that consequently limitations of time should be shortened.

The expressions of opinion by merchants, in their letters, on this proposed change, are unanimous in favor of the completion of liquidation of entries within thirty days.

X. The Abolition of Petty Fees, including Fees for Permits and Entries.

A number of petty fees are now collected which realize but little revenue to the government, and are a source of delay and annoyance to the importer. The Committee suggest that all of such fees be abolished, and that all of section 2654 of the Revised Statutes, beginning with the sixth item and ending with the eleventh, be repealed.

This proposed change meets with the unanimous approval of the merchants.

XI. Duties should always be assessed on Market Value.

The next suggestion of the Committee is that duties should always be assessed on market value at period of exportation, regardless of cost. This suggestion is made with reference to ad valorem duties, and, like some other suggestions now made by the Committee, would have no force if all duties should be made specific. It is difficult to discuss this point within the brief time allotted to me. I shall therefore content myself with a brief statement of the existing law, and of the necessity for the proposed change.

The present law is contained in sections 2845 and 2900 of the Revised Statutes. Under that law, duty is now assessed on market value if it is higher than invoice price, but on invoice price if the same is higher than market value. That is to say, the importer may not be safe in paying duty on what his goods cost him. If the goods shall have advanced in the foreign market, after his purchase and before he makes shipment, he must pay duty on such advanced value ; but if the goods shall have declined in the same time, so that market value is less than cost price, he must then pay duty on the cost. This rule works only one way : if the market value advances, the government gains by it, but if the market value declines, the merchant loses by it.

The inequality and hardship of this provision is manifest. The rule works entirely in favor of the small buyer who purchases at the date of shipment, and entirely against the large buyer who gives his orders far in advance, and who may find, from a decline

in market value, that the duties on his goods are far in excess of those paid by his competitor.

This inequality in the law has frequently operated as a trap to catch innocent merchants. The laws for making false entries are very severe, causing the forfeiture of entire invoices where entries do not state the exact facts in the case. Thus some technical knowledge of the customs laws is needed, to know that under some circumstances, a merchant subjects himself to a heavy penalty when he enters his goods at actual cost, and pays duties in good faith on the sum which he has actually paid for them. Such a law is unreasonable, and the only way to secure importers from the penalties of evading it is to repeal the law altogether.

This proposed change has received lengthy discussion in many of the letters received by the Committee, and meets with unanimous approval.

XII. The Custom House should be kept open from Nine to Four.

Your Commission has anticipated our Committee in its next suggestion, which is that the Custom House shall be kept open from nine to four. I need hardly say that this recommendation meets with the unanimous approval of our correspondents. Several, however, suggest that the hour for closing should be extended until five o'clock.

XIII. The Reduction of Charges at General Order Stores, also for Cartage.

The Committee believe that the charges for storage at general-order stores, and the charges for cartage, should be reduced. We have received from merchants a number of complaints. One importer states that where his goods have been in the hands of the storekeeper for only a single hour, he has been charged for a month's storage ; and he states that such is the rule and custom. Another importer suggests that there should be no charge for less than three days, and that charges should be scaled on the basis of a separate charge for every third of a month. Several letters contain the statement that when goods are landed, they are intentionally rushed from the vessel, before the merchant has reasonable opportunity to make his entry and pay his duties, in order that storage charges may accrue.

The charges for cartage are generally believed to be excessive,

and out of proportion to the charges of private cartmen for similar services.

As an evidence of the necessity for a reduction in these charges, I am able to state, that every merchant who has sent us his opinion on the matter, thinks that reductions should be made.

XIV. The Prompt Filing of Weighers' and Gaugers' Returns.

The Committee further recommend a rigid enforcement of the regulation providing for the prompt filing of weighers' and gaugers' returns. There is frequent complaint of delays in this matter. Merchants state that they are often unable to ship their goods by vessels upon which freight has been taken, owing to the delay in getting their returns. One of the leading firms in the city complains that they often have to wait from three to four weeks, for the liquidation of specific duties, owing to the delay in the filing of the weighers' returns.

This proposition meets with the unanimous endorsement of our correspondents.

XV. The Total Abolition of Damage Allowances.

The next recommendation of the Committee is that damage allowances be abolished, and that all laws providing therefor be repealed. I am authorized to state that on this proposed change the Committee entertain doubts, but that, for present purposes, they embrace it among their other suggestions.

It appears that in some lines of trade gross frauds are perpetrated under the provisions of the law for damage allowances, dishonest merchants obtaining excessive credits for fictitious damages, and thereby underselling their honest competitors. On the other hand, it is said, it would be the grossest injustice to compel payment of full duties on partially worthless goods, and that such an injustice outweighs the probable frauds perpetrated.

There are strong reasons both for and against this recommendation. Merchants themselves are nearly equally divided upon it. In this matter, dealers are peculiarly influenced by the nature of the business in which they are themselves engaged, although, with reference to one branch of business, we find two leading houses advocating with earnestness the opposite sides of the proposed change.

It has been suggested to the Committee that importers can insure against loss of duty on account of damage. The possibility of in-

suring against such loss is disputed with reference to some branches of trade ; but it is safe to assume, that if damage allowances are abolished, some means will be devised whereby substantial insurance can be obtained. This question, however, will be more fully discussed before you by the Chairman of our Committee.

Most of the merchants who have sent letters to the Committee have expressed opinions on this proposed change. These opinions are about equally divided on the question of the total repeal of all damage allowances.

XVI. The Reduction of Penal Bonds from Double the Value of the Goods to Once the Value of the Goods.

The Committee recommend that penal bonds be reduced from double the value of the goods to once the value of the goods. The present law on this matter is found in section 2899 of the Revised Statutes. The Committee believe that the government will be amply secured by a bond for the reduced amount, and that merchants, especially those of small means, will be materially benefited by such reduction.

XVII. No Charge whatever to the Importer for Cartage or Other Expenses on Goods entered for Consumption.

The next recommendation of the Committee is that there should be no charge whatever to the importer for cartage or other expenses, where goods are entered for consumption. This recommendation is made on the principle that when the merchant gives his goods to the government, asking the government to tell him how much duties he has to pay, and to then give him back his goods upon his paying the same, the government shall bear the entire expense of getting at the amount of duties, and shall make no charge whatever to the merchant except for the duties themselves.

This proposed change is approved by all the merchants who have expressed their opinions to the Committee on the same, with a single exception. This one firm thinks that merchants should not object to paying charges, provided the charges are reduced to a reasonable amount for the service rendered.

XVIII. The Law for discharging Export Bonds should be Simplified.

The Committee recommend that the existing laws for the discharge of export bonds should be amended. The present law is

found in sections 3044 and 3045 of the Revised Statutes. Under this law the export bond cannot be discharged, except on the following conditions: first, a certificate of the consignee at the foreign port must be produced; second, a certificate under the hand and seal of the consul must be produced; third, these two certificates just named must be confirmed by the oath of the master of the vessel; and fourth, these two certificates must also be confirmed by the oath of the mate of the vessel. There are also cumbersome provisions for supplying certificates and oaths in exceptional cases.

The Committee recommend that this elaborate system shall be simplified, and, although they have not fully agreed upon the exact nature of the amendments, they nevertheless suggest, for present purposes, that the oath of the master and the mate be abolished.

This matter meets with the unanimous approval of the merchants.

XIX. Greater Facilities for the Withdrawal, by the Buyer, of Goods purchased while in Bond.

The Committee suggest an increase of facilities for the withdrawal, by the buyer, of goods purchased while in bonded warehouse.

The present law is found in sections 2970 and 2971 of the Revised Statutes, and in article 617 of the Treasury Regulations. Under the present law, the purchaser of goods in bond finds great difficulty in making a withdrawal of a fractional part of his purchase. Furthermore, existing laws and regulations do not allow the transfer on the books of the Custom House of bonded goods purchased from the person who originally made the entry. It is true a withdrawal entry is provided for by form number 125 of the Treasury Regulations, whereby the importer can authorize the person to whom he has sold the goods, to withdraw the same; but this withdrawal entry might not prevent the importer from subsequently withdrawing the goods himself, upon paying the duties, and thereby defrauding the party to whom the goods have been sold.

The Committee propose that a certificate be issued by the Collector when goods have been deposited in bonded warehouse, and that the holder of such certificate, and none other, shall be allowed to withdraw the goods. When such a certificate is issued, the

Collector can close the account on his books with the original entry, and can open a new account with the certificate.

Under such a certificate, goods could be withdrawn by a purchaser from an importer, in such quantity as the purchaser himself might choose, in the same manner as they can now be withdrawn by the original importer. Another advantage of such a certificate would be that it would afford reliable security upon which advances might safely be made on goods in bond. It is doubtful whether, under the existing system, a person making advances on goods in bond, and simply holding a withdrawal entry, has absolute security ; and whether dishonesty or insolvency on the part of the importer, might not defeat the title of the person making the advances.

Such merchants as have expressed an opinion to the Committee on this point, are unanimously in favor of this suggestion.

XX. The Government should pay Interest and Costs on Judgments, the same as other Defendants.

Our next recommendation is that when judgments are recovered against the Collector for duties paid under protest, the government should pay interest and costs, the same as other defendants.

Whenever judgment is recovered by an importer against the Collector, it means that more money has been taken for duties than was due, and that the Collector must refund the same ; and if the Collector has acted under the instructions of the Secretary of the Treasury in making the collection, the United States, under a special statute, are liable for the amount of the judgment. It has heretofore been the custom to satisfy such judgments, together with interest and costs, from either the standing customs appropriation, or out of any money in the Treasury not otherwise appropriated. The present Secretary of the Treasury, however, has decided that, under his interpretation of existing laws, he has no power to pay interest and costs on judgments obtained against the government, except from a special appropriation by Congress. He claims that he can only repay, from the regular appropriation, the amount of the duties exacted.

The Committee propose that the room for doubt regarding the meaning of the law shall be removed by a positive enactment, and they recommend that Sections 989 and 3012½ of the Revised Statutes be amended to conform with this proposed change.

This recommendation meets with the general approval of our correspondents.

XXI. One of the Bonds now required where Goods are entered for Inland Transportation should be Abolished.

The next recommendation of the Committee is that where goods are entered for inland transportation, one of the two bonds now required should be abolished.

The existing law is contained in Sections 2992 and 2993 of the Revised Statutes. These sections provide that where goods are destined for an inland port of entry, a bond of transportation shall be given in a penal sum of at least double the invoice value of the merchandise, with the duties added ; and, also, that before the merchandise shall be delivered to the common carrier, such carrier shall also execute a bond to the United States. It is suggested that the bond of the common carrier is sufficient, and that the bond of the importer should be abolished, for the reason that the government is amply secured against the loss of the goods by the bond of the carrier, and that any possible loss which may occur can be satisfied out of that bond.

This proposition has called forth a wide range of discussion touching the present system of inland ports of entry, and I take this occasion to say that a very general and a very sincere conviction prevails in the minds of our local importers that interior ports of entry should be abandoned. I omit, however, any discussion of this point, and any citation of opinions submitted by the merchants to the Committee, for the reason that they are not within the scope of our inquiry.

All the merchants who have expressed opinions on this proposed change agree in recommending it.

XXII. Entry Papers should be taken Entire Charge of by the Custom House.

The Committee advise that when entries are made at the Custom House, all the papers used in making the entries should be taken entire charge of by customs officials, from the time of presentation to the time of payment of duty or the granting of a permit for bonding. Under the present custom, merchants must attend in person, or through their clerks or brokers, and must carry their papers from one desk to another until the entries are completed. The various steps incidental to an entry under the existing system, have been already recited by me at the beginning of my address, when I discussed the proposed abolition of the Naval Office.

The Committee propose that when an entry is handed in, it shall be taken charge of by officials, and the merchant shall have nothing further to do with it until it is handed back to him for payment of duties or for procuring the permit for bonding. This change will save annoyance and expense to the merchant, will simplify the making of an entry, and will prevent confusion and possible favoritism in making entries at the Custom House.

The expressions of opinion of the merchants on this point are nearly unanimous in favor of it.

XXIII. The Equalization of Appraisements at the Different Ports.

The last proposed change in existing laws which the Committee have submitted in writing to the merchants for their criticism, is the equalization of appraisements at the different ports. The Committee recommend that a system be perfected whereby appraisements at the different ports may be equalized, so that like goods shall pay like duties at all Custom Houses.

There are over one hundred Custom Houses in the United States, where duties are receivable. The inequality of appraisements growing out of so many collection districts, especially under our complex and intricate tariff, are numerous, and are a most serious injury to trade.

I have recently had a case in my own practice, where one of our leading importers introduced a certain kind of goods, through the New York Custom House, at a certain dutiable value, while his competitor and near neighbor imported similar goods, through *another* Custom House, on a dutiable value of less than one half of the value assessed at the New York Custom House. These goods were subject to *mixed* duties. The dutiable value was fixed by the New York Custom House at sixty per centum, while the dutiable value at the other port was fixed at fifty per centum. It thus happened that similar goods were sold by two neighboring importers in this city, the duties on which in the case of one importer were more than double the duties in the case of the other importer. Owing to the inability of the importer paying the higher rates of duty to compete with his rival, the firm found itself at the end of the season with a large stock of goods on hand, while, as a matter of fact, the rival had sold his entire stock.

Another importer complains to the Committee that the duties assessed on a certain class of goods, imported through an interior Custom House, are just one half the duties on the same goods im-

ported through the New York Custom House ; in consequence of this difference, his sales in a particular locality are entirely cut off.

Another importer states that a certain importation, introduced through an interior Custom House, was entered as subject to a certain rate of duty, but that the appraiser reduced the rate of duty one third, stating to the importer that he was in error in assessing himself at the higher rate of duty. Similar goods imported through the New York Custom House, have always paid, and still pay, the higher rate of duty.

These illustrations can be multiplied almost indefinitely, and I have no hesitation in saying that every kind of business in the city can furnish instances similar to those I have given. Moreover, it is fair to assume that for every such case that comes to light, there are a large number which are never known.

These inequalities at different ports do not necessarily imply fraud and inefficiency. The tariff is so complex that there is often room for honest doubt as to what duties should be assessed ; moreover, the practical and inherent difficulties of classifying merchandise present questions upon which two honest and skilled appraisers at the same port frequently differ.

It is most probable that correct duties are assessed at that port where the importations are largest, and where there is the best organized corps of appraisers ; and it is also probable that at the ports where the importations are small, and where there may be but a single appraiser for all kinds of goods, correct duties are not assessed. The skill and experience acquired at this port, where a large preponderance of the entire duties of the country is collected, should be felt through the smaller ports. What the merchants demand, and what the Committee recommend, is an adequate system to correct these evils and to equalize appraisement at different ports ; a system that shall be at once simple, thorough, and rapid, speed in rectifying evils of this kind being especially important.

This subject has received full discussion in the letters received by the Committee from importers, and the latter unite unanimously in recommending such a system as we have proposed.

This last recommendation completes the entire number of proposed changes which have been submitted by the Committee to the importers for their criticism. Since these twenty-three proposed changes were submitted, the Committee have agreed upon recommending certain others, but, from want of time, they have not been able to ascertain the general sentiment of the importing

community, by means of letters or otherwise, in regard to them. I am, however, directed to lay before you these additional suggestions, and to state that, in the opinion of the Committee, these changes would be approved by all importers if submitted to them.

XXIV. The Abolition of the Fee of Ten Dollars on Reappraisements.

The Committee suggest that the present local custom, whenever a reappraisement is claimed, of charging a fee of ten dollars to the party taking the appeal, shall be abolished. This custom seems to be peculiar to the New York Custom House. The only provision of the law on the matter is found in section 2725 of the Revised Statutes, which is enlarged upon in article 429 of the Treasury Regulations. Under this law, the Merchant Appraiser is entitled to a compensation of five dollars per diem while actually employed. The custom has grown up in this city of exacting a fee of ten dollars in advance of reappraisement and at the time the reappraisement is claimed, without reference to whether the Merchant Appraiser is actually employed or not. The Committee regard this fee as an extortion.

XXV. Let Reappraised Goods be Bonded.

The Committee further recommend that when an invoice is advanced by the Appraiser, and a reappraisement is claimed by the importer, he should be allowed to take his goods upon executing a bond, and upon furnishing satisfactory samples of the contents of the packages to the appraiser.

The enormous power of an appraiser to order in goods, and to detain them, should be restricted. The most irreparable injury is done to commerce under the exercise of this power. Under the existing laws the entire shipment is detained until both the appraisement and the re-appraisement are completed, and such detention sometimes covers many months. A large number of importers complain of the terrible abuses that have grown up under this provision of law. It is not infrequent that losses of enormous sums are inflicted upon merchants by these arbitrary detentions. The case of one of our Committee, Mr. Thomas Barbour, of the firm of Barbour Brothers, should be enough to utterly condemn the present system. There are other cases, though usually of less magnitude, where, as in that of Mr. Barbour, the Appraiser was shown to be in the wrong in detaining the goods, and where,

upon the re-appraisement, the original invoice prices were fully sustained. There is no reason why, when goods are to be re-appraised, a satisfactory bond should not be taken to take the place of the goods, and why the goods should not then be surrendered to the merchant.

XXVI. Increased Despatch in reappraising Merchandise.

Complaints are made on every hand of delay in reappraising merchandise. Under the present law, which requires the government to detain the entire invoice subject to reappraisement, the process of reappraisement should be concluded with the utmost despatch.

This is a question of administration, and is particularly recommended to the consideration of this Commission.

XXVII. No Duty should be charged on Goods stolen or otherwise lost while in Bonded Warehouse.

The present law for the abatement or refund of duties on goods injured or destroyed while in bonded warehouse is contained in Section 2984 of the Revised Statutes. The relief contained in that law is limited, however, to such injury or destruction as may occur by means of accidental fire or other casualty. Under existing laws, merchandise which may be stolen or lost while in bonded warehouse, is still subject to duty. One of our leading importers was recently obliged to pay duties to the amount of nearly twenty thousand dollars on goods stolen from bonded warehouse. This is a hardship that should be corrected. The Committee recommend that the existing law should be so changed, that, under proper restrictions, merchandise either stolen or lost while in bond, shall be relieved from duty.

XXVIII. Goods procured otherwise than by Purchase should be invoiced at actual Market Value at Period of Exportation.

The existing system of invoices and entries divides imported merchandise into two classes—first, purchased goods, and, second, consigned goods. This classification pervades all the laws, regulations, and forms for making out invoices, together with the declarations to invoices, the consular certificates, and the oaths on entries.

When the owner of imported merchandise has acquired his

goods by actual purchase—that is, in the ordinary mode of bargain and sale, he is called, in the parlance of customs officials, the "purchaser," and his property is called "purchased goods." When the owner of imported merchandise has acquired the same *not* by purchase—that is to say, *not* in the ordinary mode of bargain and sale—or when he has himself manufactured the goods, and is still the owner of the same, in whole or in part, he is called the "manufacturer," and his merchandise is called "manufactured goods," or "consigned goods."

It is impossible to understand the laws and forms for oaths and entries, without thoroughly understanding the theory of this classification. It was inaugurated by the Act of April 20th, 1818, and was afterwards more fully developed by the Act of March 1st, 1823.

The earliest and, in my judgment, the best statement of the reasons for establishing the system is to be found in the report of Secretary Crawford, dated January 17th, 1818, American State Papers, Finance, vol. 3.

In my discussion of the eleventh recommendation of the Committee—that the dutiable value of purchased goods should always be the market value at the period of exportation—I pointed out this provision of law, to wit, that goods are assessed, and should be entered, not at invoice or cost price, but at market value at time of shipment, provided such invoice or cost price is less than such market value. A similar provision of law exists with regard to manufactured or consigned goods. The law requires an invoice for such goods to be made out and to be verified, although the goods have not been purchased, and although, because the goods have not been acquired by purchase, it is difficult to fix upon an invoice price. The Act of March 1st, 1823, re-enacted in section 2845 of the Revised Statutes, and the Act of March 3d, 1863, re-enacted in section 2854 of the Revised Statutes, direct what shall be such invoice price. The provision of those sections is this: that merchandise obtained in any other manner than by purchase shall be invoiced at the actual market value thereof, at the time and place when and where the same is procured and manufactured. It will therefore be observed that an invoice of goods acquired otherwise than by purchase, must contain these two things—first, market value at the time, and, second, market value at the place, of procurement of manufacture. These two things are essential to an invoice of manufactured or consigned goods.

Having thus seen how invoices of consigned goods are made, let us now inquire how entries of the same are made. I have already explained that entries of *purchased* goods must be made not neces-

sarily at the cost or invoice price of the goods, but at the actual market value at the period of exportation, if the same is more than invoice price. Manufactured or consigned goods must be entered on the same basis. A person making an entry of such goods must enter them at invoice price if it is more than market value, but at market value if it is more than invoice price ; and the market value referred to is the market value of the merchandise—first, at the period of exportation to the United States, and, second, in the principal markets of the country from which the merchandise is imported.

Can any thing be more complex than such a system for invoicing and entering goods ? Observe that the law provides two things with reference to the *invoice*, namely : first, the market value at the *time* of procurement or manufacture, and, second, the market value at the *place* of such procurement or manufacture : whereas the law provides two other things, usually quite different, with reference to the *entry*, namely : first, the market value at the *period of exportation*, and, second, the market value at such period in the *principal markets* of the country of exportation.

I venture the assertion that not one invoice in one hundred is made out conformably to this law. I have had a somewhat extended professional experience in this branch of cases, and I have never yet found a manufacturer who invoiced his goods at the market value at the date of production, provided the date of production and the date of shipment are not identical; nor have I ever found a manufacturer who knew that the law required them so to be invoiced. It is true that the declaration provided for by section 2854 of the Revised Statutes, recites the provisions of law in this regard, and it may be said the consignor has only to read that declaration to know how to make out a correct invoice. The answer to that is this : that declarations are notoriously incorrect in phraseology, touching their conformity to the requirements of law ; that consuls themselves, before whom the declarations are taken, are notoriously ignorant of the relation of a declaration to the system of invoices and entries, as well as of the general provisions of law providing for the same, and often either insist, through ignorance, on the wrong form of declaration being taken, or make light of all declarations, telling declarants that the phraseology of the declaration is of no consequence ; and that the making of a declaration, like the taking of an oath on an entry, has grown to be an utterly meaningless and empty form.

I have recently had a case in my own office, wherein it appeared

that an old and highly-respected consul at one of the European ports, had compelled my client to make false declarations, such as were not according to the facts, notwithstanding a written protest filed with the consul, and notwithstanding the fact that the taking of the false declaration worked a technical forfeiture of every invoice. In justification of my client, I took the deposition of the consul, wherein he stated that he had supposed that the declaration he had insisted upon was the proper one under the law, that he had always required from every body the same form of declaration upon like facts, and that his interpretation of the law prevailed at all consulates in the part of Europe where his consulate was located.

The facts with reference to the matter now under discussion are these : that when goods procured otherwise than by purchase are not shipped to the United States until some lapse after manufacture, it is, as a practical question, often impossible to ascertain market value at the remote date of manufacture ; that this is especially true of goods not originally intended for the United States, and with reference to which, therefore, no record of market value may have been kept ; that actually it is the common custom to invoice this class of goods at market value at date of shipment, and not, as the law requires, at date of manufacture or procurement ; and that, inasmuch as this existing custom is more natural, simple, and equitable than the existing law, the law should be changed to suit the custom, rather than attempt to make the custom suit the law.

The Committee therefore recommend that existing laws be so changed that goods procured otherwise than by purchase shall be invoiced at market value at date of shipment. Should this change be made, the invoice price and the dutiable value will be identical.

XXIX. Greater Prudence should be exercised in disturbing Rates of Duty when once fixed by the Treasury Department.

Questions of statutory construction often arise touching the rates of duty payable on particular kinds of merchandise. These questions, arising usually from obscure or ambiguous phraseology in the statutes, are ultimately decided by the Treasury Department at Washington, and it often happens that the officials of the Treasury Department change their minds regarding their own decisions.

When these decisions are made, they are enforced immediately, and the merchant who has possibly contracted for large sales, the

price being based upon a certain rate of duty, finds himself obliged to pay an increased rate of duty, owing to a sudden and unexpected change of decision. The losses to merchants that have been occasioned by such vacillations on the part of the Treasury Department are enormous. I know of a single instance where more than fifty thousand dollars were lost by one firm in this city, on one contract, the loss having been occasioned by a change of opinion on the part of the Department, as to the rate of duty, after it had once formally fixed and announced the proper rate. No less than four different decisions, I am credibly informed, have been made at Washington in one season on one kind of goods.

The Committee suggest that greater prudence be exercised in disturbing rates of duty after they have been once fixed on appeal to the Treasury Department. Where the Department finds itself in error, and in consequence feels obliged to change the rate of duty, such proposed increase should be widely published, and should not go into effect until a sufficient time has elapsed to enable importers to adjust themselves to the change.

Our Committee further suggest, that where doubt exists touching rates of duty, the benefit of the doubt should, as a rule, be given to the importer. Duties should never be imposed upon *doubtful* interpretations. If he who could, and ought to have explained himself clearly and fully, has not done so, it is the worse for him. This is a maxim as old as Roman law.

I have now laid before the Commission all the suggestions and all the proposed changes that our Committee have at present to offer.

Most of our recommendations are matters of statutory law, and will therefore require the attention of Congress. Some of them are questions of administration, and can be dealt with by the Executive. We respectfully and sincerely urge that all of our recommendations, both those that relate to the Statutes and those that relate to the Treasury Regulations, may have your careful consideration and your most earnest support.

ADDRESS OF MR. DANIEL C. ROBBINS.

GENTLEMEN : I shall address you to-day with special reference to the proposed reforms in the customs service which have been presented by my predecessor, Mr. Eaton, as counsel for the Committee of the Chamber of Commerce on Revenue Reform, presenting in contrast the customs regulations of Europe with those of our country, that you may realize how moderate are all the reforms we seek.

Revenue Reform.

Reform in the application of taxes as customs duties has been much considered in our country, but reform in customs regulations, to promote economy in the collection of customs, and to facilitate the transaction of mercantile business, has received as yet but little attention.

Customs regulations are so closely connected with the subject of the tariff that the general understanding has been that questions pertaining to taxation must be settled first, as more important ; and whenever improvements have been sought, they have been deferred by a general impression that the conditions, which pertain to this subject are very different with us from those which exist elsewhere. Our revenue requirements are supposed to be greater than those of most countries, and, on account of the fact that the cost of labor is usually higher with us than in Europe, high protective duties are required; and, as high duties are incentives to fraud, it is believed that regulations which have proved quite sufficient for other countries are quite inadequate for us.

As a prominent example, take the subject of specific duties :

Specific duties have so taken the place of ad valorem rates in Europe that they may be said to be universal. The few ad valorems which do exist in the principal European tariffs remain apparently only as oversights or neglects, because ad valorem calculations must precede the imposition of specific rates ; and yet when a prominent customs official was recently asked if he believed the application of specific duties upon all goods to be possible, he gave, in accordance with the general impression, a negative answer—a surprising reply when we consider that all past experience is in favor of specific rates. Our largest importers, who are familiar with the most complicated manufactures, declare this matter to be the principal necessity in all tariff reform, with-

out which, to use the language of many of our largest and most intelligent importers, all efforts for the promotion of revenue reform will prove to be *wasted efforts*, because it is the general conviction, that, notwithstanding all the vigilance of Customs officials, not much over 60 per cent of the dues which belong to the government from ad valorem goods are collected, and that, unless a change is made from ad valorem to specific rates, all respectable importers will be obliged to discontinue business; that we shall have, in time, in the respectable business of the importer,—a pursuit involving the employment of large capital and much intelligence, with attendant character—the same national experience, that we have had in the attempt to collect *excessive duties* on spirits, the importation of foreign merchandise, like the distillation of spirits, will pass out of the hands of men of character.

If specific duties were universal in our tariff, as in the British list, which comprises only forty enumerations of articles and varieties of articles; or, if they were almost universal, as in most of the European tariffs; or, even general, as in France, whose customs list is much more complicated than any, because it is throughout studiously protective and includes more differential rates than any other tariff in existence,—the collection of customs would be much simplified, and most of the checks and safeguards, which are now deemed necessary, although they involve expense and hindrance in the transaction of business, could be dispensed with.

Customs regulations in Great Britain are formal like our own, but, as compared with ours, are very liberal in their requirements; and the British list of duties, which are all specific, is the most simple of all. The French tariff list is very complicated, but customs regulations in France are very simple. All that is required at the hands of the importer is to furnish the government with a descriptive list of the goods imported and proof of ownership, which the government receives and takes upon itself the examination of the goods and the making out of a bill of duties, which the importer pays and receives an order for his merchandise. Neither invoices nor bills of lading are indispensable, nor are oaths or bonds required; and there are no fees or charges, except in the use of stamped paper, costing two sous per sheet.

Custom-House Entries in Great Britain.

In Great Britain all that is required is to submit a formal entry, as prescribed by law, which must contain the particulars corresponding with the description of the goods and packages given in

the report of the ship, with a memorandum of the duties which may be payable upon the goods mentioned in such entry, which, when paid, is to be signed by the Collector or his deputy, and transmitted to the proper authority, who will deliver the goods. Neither invoices nor bills of lading are essential, but these, with other papers, can be demanded by the government, if fraud is suspected. Customs fees are numerous, as with us, but the charge for these is moderate. Neither bonds nor oaths are required ; but when goods are incorrectly described to the prejudice of the crown, they are forfeited with a penalty of £100.

Warehousing Entries in Great Britain.

When goods are intended to be warehoused, without payment of duty on the first entry thereof, the importer or his agent has to deliver to the Collector a bill of entry of such goods, containing the same particulars as before described, together with the name and description of the warehouse and of the person in whose name the goods are to be warehoused ; and this entry, when signed by the proper officer, is the warrant for landing and warehousing the goods, after which the same or any part thereof may, upon further entry, be delivered for home use or for exportation, as may be desired.

Landing Regulations in Great Britain.

All goods must be landed within fourteen days, exclusive of holidays and Sundays. Goods may be conveyed to the Queen's warehouse, to remain there for the remainder of the fourteen days allowed after arrival of ship under charge for removal, or they may remain in warehouse three clear days free from rent, to afford parties a sufficient time to examine and clear the same.

Export Bonds in Great Britain.

Bonds are given, when warehoused goods are exported, for double the amount of duty, with one surety, as with us, that such goods shall be duly shipped, exported, and landed at the place for which they are entered outwards, or otherwise and satisfactorily accounted for, such bond note, when duly signed, being the export entry for such goods.

Customs Regulations in Great Britain and in the United States compared.

Customs regulations, as they exist in Great Britain and in our United States, have much resemblance in form, but they are quite dissimilar in penalties and requirements. In entering goods in Great Britain, there is no demand for importer's invoice unless fraud is suspected. Oaths are not required, and no bonds are given, as with us, for double the amount of the invoice, in two separate sureties each. In exporting warehoused goods, a bond is given with a single surety for double the amount of duties, as with us, but the requirements in regard to landing certificates are very liberal, and do not involve the expense of consular supervision or any special act on the part of the master or the mate of the vessel, or the consignee, the language of the British act being discretionary, as, "The goods shall be landed and the export shall be satisfactorily accounted for."

Expense of Collection of Customs.

The expense of collecting the customs in 1875, according to figures furnished by the statistical department at Washington, was 4½ per cent. The total revenue from customs was $157,167,722.35, and the expense of collecting was $7,028,521.80—an extraordinary amount, when we consider that no capital is involved or charge for rent or insurance on stock or other important outgoes which pertain to mercantile transactions.

The expense of collecting the customs in Great Britain in 1874 was £1,022,534, or about five millions of dollars; but Great Britain imported, in 1874, 1819 millions, and she exported 1524 millions. Our imports in 1874 were 642 millions, and our exports were 575 millions, or about one third those of Great Britain. The expense of collecting customs in our United States should not exceed two per cent.

Considerable prominence has been given recently to the fact that the percentage of expense on the collection of customs is less in the United States than in Great Britain, but it should be borne in mind that, when a nation undertakes the collection of customs from imports, it must take cognizance of all imports, and hence the higher the average rate of duty the lower will be the average expense of collections. Now the average duty on all imports in Great Britain is less than six per cent, while the average in our

United States is about 30 per cent, and it will be readily understood that an advance of this present average to 50 per cent would not increase the expense of collection to much extent, because very nearly as much clerical work is required for the present average, as would be required for the advanced rate. Further, customs regulations in Great Britain, as compared with ours, for entering and warehousing and exporting goods are very liberal. The customs service of Great Britain assists the merchant in every way it can, while ours purposely obstructs and hinders, as will be explained hereafter.

The British Tariff.

The customs list of Great Britain has been so reduced within the past forty years that at present it is very limited.

All kinds of sugars were placed on the free list in 1874—an important article for revenue that had yielded the government over fourteen millions of dollars annually.

The revenue from sugar and molasses in the United States in 1876 was $41,899,559.52, out of a total income from customs of $145,178,602.75, or about 30 per cent of the total income from customs.

The imperial list of Great Britain for 1876 contains forty enumerations of articles and varieties of articles, of which fifteen enumerations are wholly for revenue and twenty-five are mainly protective duties, the last being imposed to overcome internal revenue and excise regulations, whereby the manufacturer is placed at a disadvantage.

The fifteen revenue enumerations comprise in fact but ten distinct articles, and should currants, figs, plums, prunes and raisins be classed as fruits, the revenue may be properly said to be derived from six commodities.

The present revenue from customs in Great Britain is about 100 millions of dollars, from which it may be noted that the British Islands, with a population of 35 millions, derive nearly as much revenue from customs on ten commodities as our United States, with a population of 40 millions, receive from over 2500 articles—excluding sugar and molasses.

Taxation in Great Britain is applied as far as possible to waste of all kinds, and luxuries, as food and drinks; and great care is taken that implements and machinery shall be free. The greatest care is taken in the encouragement of industry of all kinds, and to promote the permanent investment of wealth. There

are three prominent aims in the application of taxes in Great Britain. Industry of all kinds is encouraged, or never discouraged ; waste of all kinds is discouraged ; and the preservation of wealth is sought in the promotion of permanent investments.

The Tariff of the United States.

Our present customs list is almost entirely the work of legislation since 1861. Previous to the war of the rebellion, the revenue requirements of the government were limited, and the demands of the protection interest had been limited by the celebrated compromise measures of 1832, whereby all protective duties were to be gradually reduced, during a period of ten years, to a maximum of twenty per cent.

In 1861 the average of customs on all imports was 12.08 per cent, from which date, with increasing duties through successive acts, it reached in 1868 a maximum of 44.25 per cent on all imports ; since which date (1868), by reductions in duties and increase in the list of free goods, the average on imports has been reduced to about 29 per cent.

The total imports in 1875 were $547,050,117.90, and the aggregate of all duties was $154,554,982.55, or an average of 40.62 per cent on dutiable goods, and about 29 per cent on the total sum imported.

Our tariff contains thirteen schedules, embracing 1505 dutiable articles, which are either distinctly specified or included in general or special classifications, to which must be added nearly 1000 articles which are not enumerated, but which, under the general provisions of sections 2499 and 2516, would be assigned as dutiable commodities, making in all over 2500 dutiable enumerations.

The free list contains an enumeration of over 600 articles.

Of the 1505 articles which are specified as dutiable, 823 pay ad valorem rates ranging from 10 to 75 per cent, 541 pay specific rates, and 144 are subject to compound rates.

Of the articles comprised under sections 2499 and 2516, in number nearly 1000, the proportion of ad valorem, specific and compound rates cannot be ascertained.

Customs duties in our tariff are discordant, the same article paying different rates of duty under different designations, with much obscurity, whereby litigation is constantly provoked. Our tariff list is frequently spoken of as a very complicated one ; it is more properly an incomplete and obscure and very badly-designed tariff, while its list of duties is much less complicated than that of France.

Our tariff list is a confused medley, without any classification of articles, except a sort of alphabetical arrangement, in which substantive and adjective words take precedence by turns, with no regard for the needs of business or any general policy that can be discerned. It is the product of hasty and partial legislation, made in the interest of particular individuals or special industries from time to time, and it is in all respects, as a work of art, or as the product of a people, whose boast has been their commercial enterprise, *discreditable.*

Necessity of Revenue Reform.

We want a better revenue system, because our present American system, or, more properly, want of system, is the *worst extant.* It is the most expensive of any ; it cost the government last year 4½ per cent to collect the customs, when, if the tariff were simplified, and the same economy introduced into public that is usual in private affairs, it could be collected for less than 2 per cent ; worse than the Zollverein of Germany, which was a compromise arrangement of low specific duties upon almost all goods within a limit of ten per cent, and specially adapted to the condition of the German states, when it was proposed by Prussia in 1818 ; worse than the French tariff, which is a carefully-classified customs list, and studiously protective, although it imposes low duties on raw materials, and thereby strikes at the very root of the protective policy ; worse than the British customs list, which has been called a free-trade tariff, although it contains more protective than revenue duties, it being, in fact, the only list that is consistently protective, while it is sagacious in revenue.

Better customs regulations are much needed, that economy in the collection of the revenue may be promoted, and that trade may be less hindered and burdened with charges.

Consular certificates are unknown in European commerce, and they are only required in a very few unimportant states, as :

Hawaiian Islands,	at a cost of	$7 00	gold.
Mexico,	" "	4 00	"
Nicaragua,	" "	$1 50 to 4 00	"
Paraguay,	" "	2 00	"
Peru,	" "	2 00	"
Venezuela,	" "	4 00	"

They are not required in Brazil, Costa Rica, Chili, Ecuador, Guatemala, Honduras, Salvador, or elsewhere, so far as known.

With telegraphic communications, and steam and rail transportation with most countries, the tendency of commerce is to very frequent transactions in smaller amounts, and hence, besides the hindrance and delay in duplicate and triplicate invoices, the cost of consular certificates has become a much more important item of expense than formerly, the cost of consular certificates being as follows :

In Great Britain	13*s.* 10*d.*	= $3 39	gold.
" France	13 francs	= 2 60	"
" Germany	10.90 marks	= 2 62	"
" Austria	15*s.* 6*d.*	= 3 80	"
" Turkey	14*s.*	= 3 43	"

Our customs regulations should be completely reformed, like those of France, or they should be modified, like those of Great Britain, to meet the requirements of the times, which are very different from those of 1789, when the first tariff was instituted.

Our customs regulations should be reformed, because it is a remarkable fact that while those of other nations have become more and more liberal to meet the requirements of commerce, those of our country have grown more and more exacting with each advance of duties.

The interests of commerce in our country in connection with this subject have been wholly ignored : *how to collect the pound of flesh* appears to have been the only thing considered.

When Alexander Hamilton proposed our first tariff act in 1789, he suggested a maximum of ten per cent on imports, because he believed a higher rate would prevent imports, and "strangle commerce," or provoke smuggling.

That an average of over 44 per cent on all imports could be successfully collected in 1868 is one of the most surprising performances in our national career.

ADDRESS OF MR. THOMAS BARBOUR.

Gentlemen of the Commission, and Members of the Chamber of Commerce: Many points which I should desire to bring to your notice have been already covered by the very able and comprehensive arguments submitted by our counsel, Mr. Eaton, and by my respected colleague, Mr. Robbins, and will be comprehensibly dealt with by my esteemed friend, Mr. Jackson S. Schultz, with whom I have had the honor of co-operating to put before this honorable Commission, representing the government, details of so much importance that they cannot fail to enlist the attention of the entire mercantile community. I shall endeavor to embody in my statement some questions which our committee have been satisfied to leave to me to bring before you. I am able to substantiate by facts and figures, and by the experience of our own firm, many gross wrongs and outrages which we have submitted to, owing to the acts of the government officials, perpetrated under the protection of the law; and I am of the opinion that a plain statement of the facts, which we now lay before your honorable Commission, will constitute the strongest argument against the abuse of the powers now vested in the appraisers' department, and which are likely at any moment to be used against any importing merchant of New York.

I beg to submit a detailed statement, showing 181 cases of our regular thread importations, representing an invoice value of £9444 6*s*. 6*d*. sterling, on which we paid into the United States Treasury the sum of about $20,000, gold, for the privilege of bringing said property into our possession.

Memorandum of Linen Threads imported by Barbour Brothers and held in Public Stores pending Reappraisement, April, 1876.

Marks and No.	Description.	Steamer.	Duties Paid.	Goods Delivered.
D ⁴Δ 16/29	14 cases threads	Adriatic.....	April 26, 1876	Sept. 28, 1876
JD G 7/11	5 " "	Anchoria.....	" 27, "	" 23, "
D ⁴Δ 30/37	8 " "	Baltic.....	May 2, "	" 26, "
38/48	11 " "	Egypt.....	" 10, "	" 26, "
E ⁵Δ 1/2	2 " "	Germanic.....	" 15, "	" 26, "
3/5	3 " "	City of Berlin....	" 22, "	" 26, "
6/10	5 " "	Celtic.....	" 29, "	" 26, "
11/18	8 " "	City of Richmond	June 12, "	" 26, "

Marks and No.	Description.	Steamer.	Duties Paid.	Goods Delivered.
F $^{6}\Delta$ 1/6	6 cases threads	Britannic.....	June 20, 1876	Sept. 26, 1876
7/12	6 " "	Abyssinia.....	" 29, "	" 26, "
13/45	33 " "	Germanic.....	July 5, "	" 28, "
46/65	20 " "	State of Penn....	" 6, "	" 28, "
66/89	24 " "	Celtic.....	" 10, "	" 28, "
90/93	4 " "	Scythia.....	" 12, "	" 26, "
G $^{7}\Delta$ 1/11	11 " "	Britannic.....	" 25, "	" 28, "
12/32	21 " "	State of Indiana..	Aug. 2, "	" 28, "

Total—181 cases ; value, £9444 6*s.* 6*d.* Duties paid on above, $20,000, gold.

These goods, on which we had paid duty, were detained in the appraisers' department from April 26th, 1876, to September 28th of the same year, a period extending over five months, involving great inconveniences and losses to our firm, and a serious embarrassment to our regular business. The goods were of the same staple description which has characterized our importations for over a quarter of a century ; and we can in no way account for the questions raised by the appraisers, except by attributing them to their utter ignorance of the subject at issue. We need hardly add that the government receded from every position in which these incompetent officials had placed it ; and that we were never called upon, in the end, to pay one cent to obtain possession of the merchandise so long and so unjustly retained by the government of the United States.

I also present to you, gentlemen, statements and letters from merchants of the highest standing in this community,—merchants who have been in business for over half a century, whose names and reputation are dearer and more sacred to them than any mere question of dollars and cents.

I have one statement here which shows where 279 cases of imported goods, belonging to one firm, were detained and ordered into the custody of the United States for examination, and kept back for months, involving an actual outlay of $611.12 for storage, labor, etc.; and also a statement of 72 cases imported by the same firm. On both of these transactions the government insisted, after great and vexatious delays, on collecting the paltry sum of $6.63. The direct loss to the importer, from the delay and detention of such a large amount of goods, can only be calculated by thousands of dollars ; not taking into consideration the feelings of an honorable firm, bearing a name of unquestioned integrity in this community, when charged with fraud.

I will, with your kind permission, read to you a letter addressed to me, which may further enlighten your honorable Commission in regard to facts which I bring before you prominently. This letter represents numbers of others in my possession which your time will not permit me to more than allude to.

"NEW YORK, April 30, 1877.

"THOMAS BARBOUR, Esq.

"DEAR SIR: In reply to your request to name such just grievances in Custom-House administration as have come under our observation, we beg to say that we consider the powers with which the Collector is clothed under section 2899 of the Revised Tariff, and which in practice are exercised by the assistant appraiser, oppressive, arbitrary, and dangerous when exercised by an incompetent assistant appraiser; and we believe that the checks upon an incompetent or corrupt official of this grade are not adequate to prevent gross wrongs upon merchants.

"We submit that it would not be impossible to so jealously guard, by law, the powers granted by this section, as to secure the revenue and yet protect the rights of citizens.

"The assistant appraisers exercise the power of calling into store within ten days *after* an appraisement, all the goods of any invoice. This is a necessary power to which no merchant could object, if limited to the time when the goods are under appraisement, and if the time allowed for appraisement were limited by law to a fixed period. But the appraisers can delay appraisement at their pleasure or caprice, so that they have power over all a merchant's importations for such time as they please.

"We trust that your committee will suggest that the appraisers be compelled by law to pass upon invoices within ten days; and that, when a merchant's bond is good, some check should be put upon their power to harass him by ordering large blocks of merchandise to the public stores after that time; and especially where the assistant appraisers know that they have gone direct from the ship's wharf, in the regular course of business, to other cities for consumption.

"We do not doubt that your attention will also be given to the unfairness of a rule which makes the liquidation of an entry a final settlement as against the government, but not as against the merchant.

"As surviving partners of the firm of John & Hugh Auchincloss, we have had some experience of the trouble and expense which follow the arbitrary exercise of the powers and rules above cited,

testimony concerning which will be given before the Committee on Tariff Reform, if we are invited to attend.

"Yours respectfully,

"AUCHINCLOSS BROTHERS."

I greatly regret that the time and opportunity afforded me are insufficient to present the facts known to me, representing numerous wrongs which many of my importing friends have submitted to. And I would here state that it is simply, in my opinion, a sense of fear entertained by the importing merchants, which prevents them from coming forward and stating the many indignities and outrages which they have patiently borne at the hands of these irresponsible United States officials, for the last ten years.

I have documents, too voluminous to embody in the statement which I am now permitted to make, showing the wilful and malicious delays to our regular business, extending over a long period of time. In no instance did we fail to establish the entire correctness of our invoices as presented to the government of the United States, and on which we paid the legal duties.

At the present time we are relieved from the unpleasant delays and annoyances of the past. We might perhaps better illustrate to what extent we were annoyed, by reading, with your kind permission, a letter addressed to an assistant appraiser of the Fourth Division, Port of New York, which will explain partially to what extent our business was stopped. The letter is as follows :

"NEW YORK, 134 CHURCH STREET,
November 1, 1876.

"Mr. WILLIAM DAY, Assistant Appraiser, Fourth Division, Port of New York.

"SIR : It has come to our knowledge that you have overstepped your duty, in our opinion, in still further endeavoring to delay our shipments of linen threads to this port against some half a dozen decisions in our favor heretofore given on the same point. Should you further go out of your line of duty to the United States Government, we shall take active measures to enlighten you on your business as an appraiser, towards us as importers of linen thread, and we do not think we shall appeal to the Secretary of the Treasury in vain.

"Yours respectfully,

"BARBOUR BROTHERS."

To this letter Mr. Day had not the courtesy to honor us with a reply.

I will say that in the development by my firm of our new flax-thread industry in the city of Paterson, employing, as we do, a large number of work-people, and involving a very large outlay of capital, we have had very serious impediments thrown in our way. It might be inferred that a law such as is stated in the seventh section of the Act of Congress of the 8th of February, 1875, was meant to provide for the importation, free of duty, of machinery adapted for the manufacture of flax fabrics, and that the intention of Congress in passing such a law, was to encourage the investment of capital in that direction, in the United States. The law to which I refer is as follows :

"All machinery not now manufactured in the United States, adapted exclusively to manufactures from the fibre of the ramie, jute, or flax, may be admitted into the United States free of duty for two years from the first of July, eighteen hundred and seventy-five."

Relying on the provisions of this law, we have recently brought over flax machinery of great value, intending to use the same at our new factory at Paterson. Upon the arrival of this machinery we addressed the following letter to the Treasury Department :

"134 Church street, New York,
April 19, 1877.

"To the Honorable John Sherman, Secretary of the Treasury, Washington, D. C.

"Sir : By Act of Congress, 8th February, 1875 (Sec. 7), it is provided :

"'That all machinery, not now manufactured in the United States, adapted exclusively to manufactures from the fibre of the ramie, jute, or flax, may be admitted into the United States free of duty for two years from the first day of July, 1875.'

"We are at present importing machinery, manufactured specially for our new mills in Paterson, N. J., and we respectfully request that you will give such instructions to the Collector of the Port of New York as will enable us to obtain our property in accordance with law, and without unnecessary delay.

"We had the honor of the highest awards at the Centennial Exhibition, and the additional distinction of being singled out by the French Commissioners as first in the manufacture of linen

threads. A copy of their report we take the liberty of sending you by this mail.

"We remain, sir, respectfully yours,

"(Signed) BARBOUR BROTHERS."

To that letter we received an answer from the Treasury Department, dated April 21st, 1877. With your permission I will read the reply.

"TREASURY DEPARTMENT, WASHINGTON, D. C., April 21, 1877.

"MESSRS. BARBOUR BROTHERS, 134 Church street, New York.

"GENTLEMEN: The Department is in receipt of your letter of the 19th instant, in which you state that you are at present importing machinery manufactured especially for your new mills, in Paterson, N. J., which you claim is free of duty under the Act of February 8th, 1875, which exempts from duty all machinery not now manufactured in the United States, adapted exclusively to manufactures from the fibre of the ramie, jute, or flax, and you request the Department to give such instructions to the Collector of Customs at New York as will enable you to obtain this machinery in accordance with law, and without unnecessary delay.

"In reply, you are informed that the Collector has general instructions governing importations of such goods, and that the question whether they are free of duty or not, cannot be determined until after examination thereof by the appraiser.

"It is presumed that the Collector will give all facilities for as early a delivery of the goods as is practicable, and it is not perceived that any instructions in the premises are necessary. Your application should therefore be made to the Collector.

"Respectfully,

"(Signed) H. F. FRENCH,

"*Assistant Secretary.*"

This reply informed us, as you perceive, that the Collector of this port had general instructions governing the importation of such machinery, and, pursuant to that information, I at once addressed the following letter, dated April 23d, 1877, to the Collector of the Port of New York:

"134 Church street, New York,
April 23, 1877.

"Gen. C. A. Arthur, Collector of the Port, New York.

"Sir: In the matter of ten cases of machinery ($\frac{C\&B}{B}$ 2/4 — 3 cases, △ 1/7 — 7 cases) ex SS. Bothnia, said machinery being adapted exclusively to the manufacture of flax, we claim entry, free of duty, under Act 8th February, 1875, section 7.

"The packages are large and heavy, and we request you will have the goodness to order examination at our mills at Paterson, giving us the necessary permit for their removal.

"We had written on this subject to the Secretary of the Treasury, who in a letter received to-day, copy of which we inclose, refers us to you as having all necessary powers in the premises. Yours respectfully,

"(Signed) Barbour Brothers."

To that letter the Collector of this port made, two days later, the following reply:

"Custom House, New York City,
Collector's Office, April 25, 1877.

"Gentlemen: I am in receipt of your letter of the 23d instant, and in reply have to state that the machinery referred to may be examined at your mills at Paterson, after entry and payment of duty, and after payment of travelling expenses of the examiner.

"Very respectfully,
"(Signed) C. A. Arthur,
"*Collector.*"

"Messrs. Barbour Brothers,
"134 Church street, New York, N. Y."

This letter from the Collector of the Port contains the decision of the Custom-House authorities on our application to pass our flax machinery free of duty, as provided for in the statute. The Collector refused to pass our machinery without the payment of duties, and notified us that the machinery would be delivered only on the payment of a duty the rate of which is from about 40 to 60 per centum.

We are unwilling to pay that duty, having imported the

machinery in the belief that it is duty free under the law I have just referred to; and our machinery is now held by the Collector, who refuses to deliver it to us except on payment of the duty. Our only resource is to pay the duty, which would amount to a very large sum, and then sue the Collector to recover it,—which would not only be expensive, but would lock up a large amount of capital pending the decision.

In our own case we have been compelled to pay duties on flax machinery, and, through the delays and lengthened detentions of the Custom-House officials, we have been under the necessity of shipping the same machinery back to our factories in Great Britain, thus being compelled to delay the project of running the machinery in our mills in Paterson, besides losing the duty paid to the United States Government. This we have done in consequence of the raw material or merchandise necessary for the working of such machinery being unduly detained for a lengthened period in the custody of the United States.

We have patiently resisted, for a period extending over five years, positions assumed by the ignorant officials interfering with our importing business; and in no one instance have we failed to establish the fact that we were right, as a firm, and that the government of the United States was, through its officials, in gross error.

It may not be generally known, however, that, no matter how great the injury inflicted on the merchant or importer, he has no redress against either the erring official or the government of the United States. It will thus be seen with what safety an appraiser or an assistant appraiser can exercise and bring to bear, either through ignorance, caprice, or malice, the whole power of the United States to suspend the importing business of an honorable merchant for a period of time sufficient to virtually ruin his business.

To me it is incomprehensible how such a state of things can be permitted to exist in a free country. Such tyranny would not be attempted in the most despotic governments of Europe, as is perpetrated daily in the city of New York under the cloak of law.

Since the appointment of this Committee of the Chamber of Commerce, I have made it my special business to confer personally with many of the importing merchants of this city. I can hardly in words express to your Committee the indignation with which they repudiate the stigma of fraud which temporarily might be affixed to their names by these irresponsible and frequently ignorant officials of the government.

I do not think I make any but a fair statement when I say that the importing merchants of this metropolis, in comparison with the merchants of any commercial city of the civilized world, stand second to none in honor and integrity. And there are no people who are more jealous of their reputation and good name, which deservedly belongs to this community; I mean the importing merchants of America, and more especially my fellow-merchants of the city of New York.

In conclusion, I ask this honorable Commission to recommend to the United States Government, that the agents, clothed with such extraordinary powers of oppression, should also be subjected to some responsibility ; and that the official should be made to suffer for acts arising out of his gross ignorance, malice, or stupidity.

Before resuming my seat, permit me to return my sincere thanks, in behalf of our Committee, and also on my own behalf, for your courtesy in granting us this lengthened hearing ; and I assure you that the result of this day's proceedings will be looked for with deep interest by the merchants of New York.

ADDRESS OF MR. JACKSON S. SCHULTZ.

Mr. Schultz addressed the Commission substantially as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMISSION:

After what you have heard from our counsel, stated so compactly, and also from my two associates, I doubt not that you will think the subject well-nigh exhausted. But it is difficult for a merchant to be long engaged in an inquiry involving so much that interests his profession without becoming imbued with a spirit very much akin to that which my friend Barbour just now manifested, and which you will excuse in me, I am sure, when you hear how fully I sympathize with him in his persecutions.

I do not know what limit you place upon your inquiry. I understand, however, the object of your Commission to be similar to that contemplated by our appointment—namely, to ascertain the difficulties that beset the collection of the revenue, and, if there are any errors in the administration of the Custom-House service, to point them out, to the end that they may be corrected.

It has occurred to me that by your more recent instructions, which your chairman has just read, from the Secretary of the Treasury, possibly you may feel yourselves authorized to go a step further, and to inquire with us what there is in the tariff laws or regulations inconsistent with an economical collection of our revenue.

Neither your Commission nor our Committee propose to attack the principles of our present tariff. We do not discuss or inquire into the fact whether the present tariff is protective to our manufactures or otherwise. But, in the language of the resolution by which our Committee is instructed, we are to inquire into the "administration of the customs service, and present such information as we may acquire to Congress at its next session."

With these ends in view almost any consideration which our experience may suggest will be in order.

The first subject I bring to your attention is included in the 6th and 22d propositions discussed briefly by our counsel—namely, "*Entries to be taken in charge by the Custom-House officials, and to be passed the same day.*"

At the present time, and under our present system, we give employment to about one hundred and fifty brokers' firms, which I estimate will employ on an average at least four persons each. This will give us an aggregate of six hundred persons whose sole duty it is to facilitate the passage of entries.

These persons are a direct tax upon the commerce of the country, and of all the non-producing and worthless classes, this one

is, in my judgment, the most so, and must be dropped out of our commercial system ; and I beg you to consider how this economic service can be accomplished.

The Custom-House broker is a man without business experience or professional knowledge of any kind. From the very nature of his calling, he becomes technical in his construction of laws and regulations, if, indeed, he is ever required to think at all ; but as his business is the merest routine, he soon learns to "fall into line" and "hand up his invoices," from ten to twelve, and then adjourn to lunch, returning for two hours in the afternoon to fill the corridors and passages of the Custom House.

Suppose a merchant has an invoice of merchandise unknown to our present classification, involving questions of value which neither tariff laws nor Treasury Regulations have contemplated ; who can so intelligently explain these intricacies as the merchant himself? and is it not most desirable, both on account of the customs officials and their intelligent exercise of duty, that they should have just the kind of information that the owner or consignee, and he alone, can give ? Why should the exigency of this service compel merchants to absent themselves from so important a service both to themselves and the government ? The Deputy Collectors should impart the technical knowledge of our tariff laws to the merchant, while the merchant could in many instances impart practical information to the Deputy Collector.

To be a little more explicit, let me indicate the practical operation of the system of entering goods we think you should commend.

The Deputy Collectors should occupy an open space, such as the enclosed space in the present rotunda of the Custom House. A merchant approaches one of these Deputies and hands him an invoice enclosed in an unsealed envelope ; on the outside of this envelope is found the name of the ship, the general nature of the merchandise, with the name of the consignee, date, etc.

The Deputy Collector opens the envelope hastily, casts his eye over its contents, and notices, *first*, the place from which the merchandise comes ; *second*, that it is in the currency of that country ; *third*, that the invoice has all the charges, such as boxes, cartons, inland freight, commissions, etc.; *fourth*, that the proper consular certificate is attached ; *fifth*, that the requisite number of duplicate copies are present. When satisfied on all these points, he takes the oath of the merchant or consignee in the usual form, and dismisses him with the remark that he may call at the cashier's desk at a given hour to receive a computation of his duties, when he may pay his gold and receive his order for his goods.

This process of entering goods at the Custom House need not delay the merchant more than ten minutes, and that time will be ample, besides, for any explanation which either party may desire to make or give.

Contrast this direct method with our present system of circumlocution, the objections to which are, *first*, that it causes delays, occupying the time of the merchant quite as long to employ and explain to the broker as it would to go direct to the Deputy Collector under the system here recommended ; *second*, that the confusion and annoyances incident to the pressing of large numbers of brokers, each trying to gain the attention of the clerk, is well calculated to distract his mind and prevent that calm and quiet so important when intricate calculations are being made ; and *third*, while one desk or department is overworked, another may be without employment for long periods of time.

There is really nothing new in this recommendation ; for I am informed that several Collectors have had this plan of passing entries under consideration, and have only been deterred by the humane thought that so many brokers would be thrown out of employment. But it is no experiment, since the French Custom House is managed much in this way.

You will observe that I have not stated what is notorious : that much deception and even frauds are often committed by brokers. So common have these become that the present Collector has told you that he is exercising a control over them. Several cases have been related to me where goods have been passed at one duty by the broker, and collected by them of the owner at another. In one case goods were passed *free* by the Custom House, and the broker collected the duty. Often they impose charges which are not contemplated by law and are not exacted by regulation.

But as it is against the whole system of brokerage in the passage of invoices that we object, it is of no moment that such abuses should be pointed out.

There will always be a certain amount of legitimate brokerage business done, as, for instance, for consignees living out of the city, or men who require bonds that they cannot themselves procure. But this is legitimate brokerage agency, which facilitates commerce and will be maintained under any system.

Mr. Turnure asked whether this change required Congressional action.

Mr. Schultz replied that he thought not. He thought that we need not go any farther than the Collector, certainly not farther than the Secretary of the Treasury.

Mr. Schultz continued : I may as well say now what has not yet appeared in any of the statements. We propose to frame a law which shall take the place of all existing laws and Treasury Regulations, and while doing this we have thought it best to include in the law much that under other circumstances we should leave to the regulation of the Treasurer. We want to close up forever all chance for misunderstanding, and it is to that end that we are laboring.

The Chairman.—You understand the last instructions. They are : "In regard to complaints received by the Commission respecting the customs-revenue laws, and made with a view to their revision and improvement, you will please report such suggestions respecting the revision and improvement of the customs-revenue laws as may, after careful investigation, meet with their united approval."

Mr. Schultz.—Those instructions seem ample to cover the ground entirely ; and we are very glad that it is so, because it will lighten our work. But we will insist upon an entirely new law, so that no lawyer can hereafter rise and quote an ordinance of the last century. We want to bring up our law to 1877, and to have that law so plain in its provisions that any merchant can understand it.

The next proposition is the "*The abolition of the Naval Office.*"

What are the analogies in this case ? How do merchants and bankers transact their business ? We have high authority for the suggestion that hereafter this test is to be applied to all public business.

I assert that the Naval Office is a duplication of the Collector's office, and but little more.

A recent pamphlet issued in the interest and in defence of that department would have us believe that this office is an auditing bureau, and is indispensable to the proper administration of the general duties of collecting the revenue, and its author insists that it was a great mistake to call it the Naval Office. He seems to attach great importance to this misnomer. No doubt this ingenious author has in his researches come across the true origin of the department, and sees in that origin no justification for its continuance.

This compilation or history of the Naval Office, by Mr. Silas W. Burt, should be placed in the archives of the New York Historical Society, so that our future historian may know that in 1877 we did have such an office connected with our customs-revenue service. But let us attend to the analogies of this office.

Do merchants have two general offices, in the books of which they keep duplicate accounts? Do not merchants think one set of books, accurately kept, quite enough for one business? Does any bank or trust company, however large, ever keep duplicate ledgers? Does a bank keep assistant first tellers to recount the money paid out over its counter?—and yet, if anywhere, duplication of service would seem here to be justified. But no doubt the bank reasons that one responsible officer is better than two irresponsible ones.

Until some instance can be found in mercantile or banking experience where duplication of accounts is required, I shall assume that there can be found no analogy outside of the present customs service.

Merchants, banks, and trust companies do have general bookkeepers, and sometimes auditors, but they overlook only the one set of books; and this excellent precaution is followed in the Custom House, and is quite independent of the Naval Office.

We are told that, as a matter of experience, the Naval Office does find many errors in the accounts that come to it from the Collector's office. No doubt this is true; it is just what we might expect from a divided responsibility.

I think it was Mr. Beck, from Kentucky—then Representative, now Senator—who said, "Out in his country they have a sentiment like this: 'Never allow the first gatherer of wheat to be interested in the second rake.'"

Let two men reduce sterling to dollars, and they will seldom agree to a cent, even after many times trying; and as this Naval-Office report only assures us of a large number of mistakes, and does not give the aggregate, we may assume that this is unimportant.

The Chairman.—They state that the balance of errors in favor of the government is a million and a half.

Mr. Schultz.—That statement has not been published. What does the Collector say to this statement? I should like to have him on the stand, and ask him why he has retained men in office who were so incompetent. If there is no explanation to these vast errors, then I shall be prepared to think worse of the Custom House proper than ever before.

The Naval Office has about seventy-five men employed, costing for salaries, in the aggregate, about one hundred and fifty thousand dollars—not to include incidentals, such as stationery, etc.

Now, gentlemen, you have recommended in your preliminary report a reduction of the force twenty per cent, but you have

omitted this fungus lot altogether. This will add nearly ten per cent additional.

In the new system which I hope will be the outgrowth of the present inquiry there should be no Naval Department.

Let us now consider the importance and proper duties of the appraisers ; and I will include in the duties of this department that of personal baggage, and also the Debenture Bureau.

The duties of the appraisers' office would indicate knowledge of merchandise. Each officer, to perform his duty properly, must have had experience in the values and sale of goods; and, better yet, if possible they should have knowledge of the cost and processes of manufacture.

Now I by no means join in the general idea that all our appraisers are incompetent—mere politicans ; for I know many of them to be quite competent. But this I do say : that too little attention is paid to the assignment of men to such departments as will give them a chance to be of the most service ; and I do say that they are inadequately paid. When we consider the vast power and responsibility exercised by these men, and the great temptations to which they are subjected, we have no hesitation in saying that they have *too much strain* for their pay.

I remember to have heard the late Mr. A. T. Stewart say that in his judgment ten thousand dollars per year would not be too much to pay appraisers in those departments where the German, French, and Swiss goods were appraised, and he was no doubt right.

It does not follow, as some seem to suppose, that all appraisers should have these large salaries, but only such as have special expert knowledge and tastes, and are so circumstanced as to be able to know not only the intrinsic value of goods but the added value of "fashion" and "taste."

Under the system which our Committee will recommend, the appraisers' department will be greatly magnified in importance. Indeed, it will be the principal department in fact as it is now in theory. Guarded by proper appeals, which under our present system are known as "merchant appraisements," but under the new system will be courts of arbitration in which the merchant or consignee will have at least a single voice, we may assume that the appraisers' department of this port will meet with fewer hindrances than now, and that its decisions will be respected in every port and Custom House in the country.

Our counsel has told you that our plan contemplates that the Custom House shall actually take possession of the goods, and hold them until they have made the necessary examination. But

I shall be told that our present system permits this. So it does But the practical working of the system only takes one case out of each lot, or, where the packages are numerous, one case in ten, and in the hurry of business seasons even this limited examination is not always insisted upon ; and it is this looseness in conducting the examination that induces fraud. If every importer knew that every case and package was to pass under the observation of a vigilant examiner, there would be no attempt at deception.

The objections to this more thorough examination are two : *first*, it is too expensive for the government ; and *second*, it is objectionable on the ground of delay to the merchant.

In regard to the first, I have this to say : that careful inquiries satisfy me that from one to one and a half per cent would take the entire package merchandise arriving at this port, convey the same to a suitable warehouse from the ship, unpack, replace, and deliver the merchandise to the consignee, and do it on an average of five days, never in any instance to be over ten days. Now, as the average tariff duties laid on merchandise are over forty per cent, could not the government well afford to pay this one and a half per cent, particularly as we are assured by competent authority that under our present system we are not collecting over sixty per cent of the forty odd per cent to which we are entitled ?

But the consignee objects to the delay. At present he has ten per cent of his invoice detained often thirty days, and is restrained in the disposal of even the goods he gets for two years ; for they may at any time during two years be ordered back for reappraisement. Of course this is not usual or possible, and yet the liability follows the goods for all that time. It is very common to have the goods delivered ordered back twenty and thirty days after they have been delivered from the ship, and this is possible and often enforced.

Now the practical question which the importers will be called upon to decide is this : How long a delay will they consent to suffer in the delivery of their goods, in lieu of the present system, provided the examination and delivery is to be final ? Will they submit to five days ? Will they, as an extreme period, wait ten ?

An expert in the business of handling merchandise has given the opinion that at least ten per cent of the merchandise could be delivered each day following the landing.

Now let us suppose that the appraisers' department is prepared to perform its duty of examination as promptly as the laborers and counters are ready to expose the goods. Then on each day following the discharge of the ship, the consignee will receive one tenth of his goods where the amount were large ; and where there

were single packages, they could be delivered on the same day of arrival at public store.

This expeditious plan would contemplate a public store for each line of steamers, and each ship's cargo would be fully delivered before the arrival of the succeeding ship of the same line.

If it is said that, by detentions on the voyage, two ships of the same line may be discharging at the same time, I say in answer that additional force will overcome any such temporary disturbance.

"Where there is a will there is a way," says the proverb, and our Custom-House authorities should learn from its spirit.

Of course I am only providing for steamships; sailing vessels with general cargoes could be provided for as now, by a single inspector for each ship.

The feature of this plan to which I call your attention is that each cargo, as delivered, goes to public store and is delivered in the order received and as fast as examined

If a merchant like A. T. Stewart can receive 200 cases of foreign goods on Saturday, and with his limited facilities unpack and distribute them in four times that number of packages all over the country by Monday night, then surely the task I have assigned to the Custom-House authorities can be accomplished with the adequate force at their command.

This appraisers' department should always have charge of the personal baggage, as also the goods shipped abroad subject to debenture or drawback, for reasons too obvious to question. In this department is all the expert knowledge of values possessed by the Custom House, and without this practical knowledge the value of personal baggage or goods manufactured and shipped abroad subject to reclaim of duty, or goods shipped in bond, so far as the latter is presented for identification, must pass under the observation of the appraisers' department.

Let me say a distinctive word about *personal baggage*, because it is a subject of scandal to our nation. I was about to say that no American who goes abroad is innocent. Certainly the exceptions are few. Both men and women turn smugglers, unconscious, seemingly, of the crime they commit. They seem to think nothing of it. They even laugh about it, and boast of it to their friends. There is a serious moral wrong in this whole matter which we must sooner or later consider. It is a great wrong to the importing merchant; it is a still greater wrong to the government; and the defiant practice demoralizes the whole community and makes them careless of legal restraint.

The purchases abroad by passengers are not confined, as many suppose, to the personal wants of the passenger or his immediate

family, but other persons, and even other families, send for articles of dress which they were better not to have.

The means resorted to by both males and females to conceal their illicit traffic is most ingenious. I have known females to conceal watches in old shoes and laces in soiled linen. Nor are these practices confined to people of the world, who make no pretensions to scrupulous lives ; but I have known ministers of the Gospel and their wives to conceal and pass goods that were dutiable. The most remarkable case that ever came to my knowledge was related by a detective of the Treasury, who once traced a valuable shawl that had been smuggled to the wife of a United States judge in one of our Eastern States, and the shawl was recovered. On a recent return voyage from Europe there were four members of Congress, but they did not pay all their duties.

Say what we will, think as we may, there is something about this tax-collecting tariff imposition which all mankind in all countries evade when they can, and think it no sin or wrong. If we are to collect duties from personal baggage, we must adopt some other and more stringent method than any now devised. And, after all, that is what most interests your Commission.

This is my suggestion : that each passenger be allowed one trunk or package, after examination, to be landed with him on arrival, and all others to be sent to the public store for future examination, and make no discriminating exceptions in this case more than in passing ordinary dutiable goods in cases. The effect of this order would at once be to reduce the amount of baggage to one or two trunks for each passenger.

The proposition to *abolish triplicate invoices and consular certificates* is more fully accomplished by abandoning our whole consular system. This would seem to me the more direct way of accomplishing the reform we desire. It would cut that dog's tail off behind his ears.

In view of the tax which this system imposes upon commerce, and with the knowledge that it is so often made to oppress and embarrass the merchants, I had come to the conclusion that the only way out of the difficulty was to recommend a discontinuance of the whole system. But then I reflected that in the early history of our government the consular system was made useful, and even is now serviceable to Americans travelling abroad ; and particularly when I meet with the following extract from the Philadelphia *Ledger*, seemingly by authority of our new Secretary of State, I confess that I begin to see a new use for consulates abroad :

"Secretary Evarts proposes to reorganize the consular system after the plan adopted by Great Britain. In appointing consuls

it is proposed to secure men having a knowledge of commerce and manufactures, selecting commercial men for commercial districts, and for manufacturing districts men acquainted with the special manufactures of the districts to which they may be assigned. The consuls will be instructed to carefully note the progress made in manufactures, send samples of all textile fabrics, and report in detail the process and cost of all manufactures, in order that American manufacturers may be fully informed upon this subject and be prepared to introduce such of them as may prove profitable to American industry and enterprise. At the commercial districts the consuls will be required to make themselves familiar with the local exports and imports, the destination of the former and consumption of the latter, and report from time to time what commodities of American production might be added to American export with profit to American commerce. This system, if properly carried out, would be of great advantage to our home industries, and by keeping American manufacturers and merchants fully informed as to the character and demands of foreign markets, would enable them to add largely to the variety and valuation of American exports."

If we carefully consider the opportunities of our consuls abroad to examine the merchandise about which and of which they certify, we shall give to their certificates just about as much consequence as our customs authorities do—and that is none at all. They never see the cases, much less the goods they contain ; and except the information obtained from the bills of lading or the forwarding certificate, they cannot even know the number of cases ; and but for their most obliging and accommodating nature (for which they are amply paid), they would be a most serious hindrance to the prosecution of foreign commerce. They have extensive powers to detain goods, to send for and require samples ; but this they seldom do, for if the samples were before them, they would not add to their knowledge. For such purposes as contemplated in the extract just quoted consuls abroad may serve a most important purpose ; but for the purposes for which they are now used their office is worse than a sinecure.

If, as seems probable, commerce and commercial men are to receive recognition in the future, particularly when the foreign interests of our government are to be promoted and our manufacturing interests extended, then we shall hail the efficient co-operation of our consuls and ministers abroad as aids, and not hindrances as now. But whatever may be the future of our consular service, the system of triplicate invoices and consular certificates should be abolished.

No Charges should be made on Goods entered for Consumption.

A suggestion which dropped from one of your Commission has emboldened me to insist that when goods are held for examination for the accommodation of the government, all expenses incurred while so held should be paid by the party accommodated; if, on the other hand, the importer desires for his accommodation that the goods should go to public store, then he should pay.

This statement keeps in mind the recognized equities between merchants; and there can be no reason why the merchant who is both willing and anxious to receive and pay the duties on his goods, while the government for its own convenience and better security chooses to hold them and cart them to a public store—there is, I insist, no reason why the merchant should pay for this service. Please remember that the government does recognize this principle in all "bulk cargoes." They do not insist on carting "sugars," "hides," "iron," and the like, to public store, but "examine," "weigh," and "deliver" on the dock. If the nature of the cargo is such that the government cannot examine it on the vessel or dock to determine the amount of interest it has in the same, then I insist they must pay all expenses up to the point of the delivery and ascertainment of such interest.

I ask that Damage Allowance be discontinued.

It has been stated by our counsel that the merchants in their letters to the Committee are about equally divided on this point. That the subject is not free from difficulty must be conceded. It is only when we are trying to balance the merits and demerits of damage allowances that we are led to the conclusion that, on the whole, it is better for the importer to get his remedy against the consignor, ship, or insurance company, rather than to seek it through the Custom House.

I think if it can be shown that damage can be insured against, as in the case of "damages of the sea," then in that case, where the insurance companies pay on the "home value," that the importer should not have any damage allowance; and to the extent he does get such allowance, he makes money by the damage allowance over and above what he would make on sound goods, and the enforcement of such an interest is against public policy.

If the damage is latent, or comes from inherent defects in the goods themselves—as, for instance, gloves are packed "damp," and when they arrive are "spotted"—the claim should be against the manufacturer or shipper. If there is bad stowage on ship-

board—as, for instance, where oil is placed on dry goods and the oil leaks through—in this case the vessel is liable. If, by stress of weather, a portion of the cargo is thrown overboard, then the remainder pays a "general average." If salt water gets in the hold and damages the cargo, the insurance companies then pay. So that, you see, a case can hardly be conceived in which the risk cannot be covered.

But there is one other view which will no doubt weigh with some men. Manufacturers who claim that the tariff is intended to protect them might insist that although goods are damaged, they do enter into consumption and competition with their product, and should therefore be fully taxed. But this can only have force as to such goods that are partially damaged. But if we take the general class of textile fabrics, it is probably true that "damage allowances" do more to bring them into competition with home-made goods than any other cause.

It is the common complaint of cloth dealers that they are undersold, and the market disturbed by damage allowances. If damage allowances could be always adjusted upon strictly equitable principles and impartially, then less objection would be made. But that such is not the belief of merchants generally I think will be conceded ; and if we could take the vote on the question, we should find arrayed on the one side or the other the men whose interests are served or injured.

Take, to illustrate, the plate-glass importers. During our moiety controversy we learned much of their views on this subject. It is understood that plate-glass men were among the first to advocate and promote damage allowances. The tariff on their goods varies from 3 cents to 50 cents per square foot, and the damage comes from breakage. If large plates are broken up into small ones, the difference in duty, if no damage allowance is made, would really render it profitable to throw the invoice overboard. In this respect glass is something like fruits : if damage arises, it is total, particularly if full duties are paid. But there are some houses that have the happy faculty of getting about 32 per cent damage allowance on all the glass they import, and there are others who get only five or six per cent on the average. This class don't happen to break so much ; but they say that they cannot compete with those more fortunate men whom the Custom House certifies as being unfortunate.

These goods cannot be opened on the dock, nor safely in the public stores. The cases are usually sent to the warehouses of the consignee, and are opened, cases standing against the walls of his

store ; and the appraisers go to these stores on their way down in the morning and give a damage certificate, and it is no doubt usually a pretty liberal one. The houses which fail to get such allowances complain that these allowances are too liberal, and that it interferes with the regularity of the trade. Such was the feeling in 1874, and I have no reason to doubt that the same feeling continues.

Cargoes of coffee and other merchandise are sold subject to damage allowances. And it seems generally understood that some parties can get these allowances when they are denied to others, or get them to a more liberal extent.

It is not necessary for my purpose to show that these damage allowances are unjustly given or withheld. It is only necessary for me to show that they give rise to much dissatisfaction in trade and cause great bitterness of feeling among merchants.

When a man is called upon by his single judgment to determine the amount of damage on goods paying 60 to 100 per cent duty, he is more than a man if he can for a long time escape suspicion of partiality.

But you ask, What is the practical remedy? In addition to the suggestions already made, I would either allow the goods to be reshipped or destroyed. Either of these extreme remedies might illustrate the folly of our whole system of tariffs ; but it would be far better to submit to this loss and waste than to inflict on the importer, as now often happens, the payment of duties on goods that are hardly worth the amount paid.

Equalizing Duties at different Ports.

It would be a rash suggestion to propose to restrict the entry of foreign goods to the few principal seaports, like Boston, New York, Philadelphia, Baltimore, New Orleans, etc.

At present we have more than a hundred Custom Houses in the interior, and their proper and effective management for the collection of duties is simply impossible. Many of them have but a single appraiser, and no one man, however gifted, can know the cost or market value of a single line of goods. But why object to their discontinuance? The members of Congress from the interior will not allow these interior Custom Houses to be abandoned, and hence our system must be adjusted to meet this anomalous condition of things. But for this fact, a most unerring system of appraisement could be arranged on the basis of home valuation, with such a system of forfeitures and penalties as is established in Great Britain—namely, when difference of opinion arises be-

tween the importer and the government official as to the true value, the government has its remedy by adding a small percentage and taking the goods for the account of the government. Such a system could be inaugurated here, but for the fact that in the great majority of Custom Houses in the country we have no means of knowing either cost price or market value of goods.

But, to return from this digression, *we must have better provision for the equalizing of values at the different ports.*

The significant case which was related by our counsel as occurring in his own practice and within his own knowledge I am assured is not uncommon. It should be remembered that the transportation to and from the interior Custom House would only be one or two per cent on the value. Now if twenty or even ten per cent can be saved in duties by the process, you can understand that the temptation is too strong to be resisted.

A case occurred a few years ago in my own business which fitly illustrates the importance of equalization of duties at different Custom Houses. A competing house in Boston was receiving from parties in Liverpool a grease known as English sod oil. For a time the article passed as grease in both Boston and New York, at grease duty of 10 per cent; but as our Custom House had imported from New Jersey a man for their appraiser, he in his zeal advanced the rate to 20 per cent, under the plea that this sod oil was a manufactured oil. For many years I had been used by the Custom House as an expert in regard to this class of oils (oils suitable for the finishing of leather), but all at once I had lost my knowledge, and, as I was an interested party, of course I could not very well impress myself upon the department, and I had to submit and allow the grease to be called manufactured oil. Meantime, however, the Boston Custom House continued to pass the article as grease, at a duty of 10 per cent.

This alternative was presented to me : I might take an appeal to Washington and run the risk of getting beaten, and, in case I did, drive my friend from Boston out of the trade and deprive my correspondent in Liverpool of the American trade in sod oil, or, by quietly submitting, allow both to continue a lucrative business, so long as the Boston appraisers would continue to allow this article at a duty of 10 per cent.

This trade did go round New York and my firm for two years or more, but finally one of the equalizing agents found his way to Boston, and the classification was changed there, as it had been in New York, and then we were both put out of the trade. Then I felt myself at liberty to take an appeal, and did so on a lot

of sod oil which I caused to be sent on purpose. This appeal was successful, and at both New York and Boston, ever since, both the sod oil of England and the *de gras* of France have come in as the residuum of oil, or grease, at 10 per cent duty.

I call to mind this experience to show the wrong the stupid judgment of an appraiser occasioned to the trade of a single house by dissipating and diverting a trade which we have never been able to fully regain.

This is by no means an exceptional case. There are many errors of classification now running between different Custom Houses well known to merchants, but, from feelings of self-interest or reluctance to turn informers, they remain quiet, as we did, and submit to the wrong.

It seems not inappropriate, in this connection, that I call your attention in an especial manner to the large responsibility of a class of public officers who, like the damage appraisers, have opportunities to make or unmake the fortunes of merchants.

Omitting weighers and gaugers, about whom you have heard so much, let me call your attention to "samplers," and only one kind of them—namely, those who sample sugar.

One of your Commission is better informed on this subject than any other person present, and could, if he would, give you in private a most interesting chapter on the processes of collecting duties on sugar. But as he may feel too delicate to expose the secrets of his heart, I shall venture to hint at least at some of the weak spots in this sugar trade, particularly as recently new complications have arisen—complications that are likely to overturn the whole system on which we have been proceeding during the past years.

We estimate the duty on sugar by the "Dutch standard" of color. When the sampler brings in his samples, they are compared with these colors, and the duty assessed is from one and a half to four cents per pound.

It must be apparent to you that it is of much consequence to the owner whether he pays the lowest or highest of these duties, and it is not unnatural to suppose that he will do all that an honest man can to bring out as favorable a result as possible.

All or nearly all depends on the sampler. He can make the duty cost in the aggregate on the cargo eight thousand or twenty thousand dollars. Is not this sampler, then, a much more important man than the Collector? The Collector is a man with comparatively limited power, and you have an appeal from his decisions if you think him wrong; but the sampler, if wrong, is never

likely to have his decision appealed from. If he is too favorable for the government, he is reasoned with and asked to resample ; but if he is too favorable for the importer, there is no government interest which interferes.

How are these samples taken that are to decide the issue between eight and twenty thousand dollars ? After boring, the tryer is shoved in each hogshead. Now, whether the tryer is directed upwards or downwards in the cask will often make a difference of one half a cent on the pound duty on the whole cargo.

But besides this facility to favor, there are many others which may be practised. Unequal quantities may be taken from different casks, so that when they are mixed and blended the average color may be influenced one or two shades.

Let me suppose that the shippers or owners of sugar in a foreign country come to understand that one house better than another can procure these favorable reports through this sampling process ; what would be their course in future shipments ? Would it not be to send consignments to those houses which gave the best aggregate return ?

I know how delicate this subject is. I know how many delicate interests are involved in these hints, and yet I know they will be keenly appreciated by all importers and dealers in sugars.

The remedy is in a change of the whole system. The " Dutch standard " must be sent back to Holland. With their proverbial honesty it may be suited to discriminate the value of sugars, but our people have outgrown it.

It has come to light that within a year they have commenced to color artificially the crude or raw sugars which come from some of our largest sugar-producing markets. This coloring matter is not detrimental to the saccharine value of the sugar, and does not weigh, and is readily removed in the process of refining. This new invention, if nothing before had done so, demonstrates that the standard by color must be abandoned.

As a very large proportion of our duties is collected on sugars, I judge that your Commission will deem it your duty to take into consideration this difficult but important subject.

Here some moralist says, " If merchants are the high-toned and honorable class they are represented, why will they be thus tempted and also tempt others ?" My answer is that government should make it possible for a conscientious and honorable merchant to live by obeying the law, and not, as now, so largely make it the interest of men to evade or directly set the law at defiance. The

only alternative in this matter is that the duties on sugar should be made specific.

There is always *a standing conspiracy to deplete the public Treasury.*

There are usually about four thousand suits pending; most of these are nominally against the Collector for the repayment of overpaid or wrongfully-paid duties. Nine tenths of this litigation is the direct consequence of our ambiguous revenue laws, which brokers, experts, and lawyers avail themselves of to deplete the Treasury.

The most notorious of these cases are known as the Ribbon and the Fruit cases, which occurred within a few years, the shock from which we have hardly recovered from yet. Mr. Chairman, your associate, Mr. Robinson, will inform you of the nature of these cases. Their history and disastrous results to the public Treasury (and I would like to say public morals) would occupy too much of your time to consider just now. But these combinations are continually forming, not on so large a scale as in those two notable cases, but just as disastrous in their aggregated result each year.

It is safe to say of the vast sums paid back by the government for overpaid or wrongfully-paid duties, not more than one half reach the parties in interest.

The demoralization of the department clerks and other officials in Washington, in arriving at conclusions in these important cases, is well understood and conceded. When hundreds of thousands, and even millions, are to be divided as the result of such decisions, it is not surprising that officials, high and low, who are in any way connected with them should be brought under suspicion. Occasionally cases arise of such large proportions as to raise them out of the dull local routine of petty larceny. Such a case is now being prepared, and when the time comes for "cracking" the Treasury, we shall be shocked, as we were about two years ago in the two cases named.

In 1875 our government made a treaty with the Hawaiian Islands to admit their sugar, being the growth of those islands, free of duty; but we are charging all other governments from one and a half to four cents per pound on sugar. The question now arises, Can we charge governments with which we have treaties which contain "the most favored nation clause" these high duties, while we admit the sugars from the Sandwich Islands free under the treaty just mentioned?

I should say no. At all events, there is doubt enough on the

subject to induce all importers of sugar from Spain, Brazil, and other sugar-producing countries to pay their duties under protest; and when the proper time comes for making up a case in which there shall be "millions," then we shall hear of another steal, which in amount will far exceed the Ribbon and Fruit cases combined.

If you go so far in your inquiry as to ascertain the influence of treaty stipulations upon the revenue of our country, you will have a most interesting field of inquiry in the workings of the French tariff as it affects us and them. You will see how impossible it is to frame tariffs ignoring these treaty stipulations. We have no "favored nation clause" in our treaty with France, and that nation has in many ways attempted to discriminate against us in her tariff.

Let me give you a single instance, and you will see how ineffectual it is; and it must always be so with attempts to override the laws of trade and commerce, which are based on the laws of God.

The French tariff attempts to discriminate in favor of Great Britain and against the United States in the article of leather. The effect is that, inasmuch as Great Britain admits our leather free, we supply Great Britain, and she in turn supplies France. It only makes a discrimination against us of one or two commissions, which are paid by the French people who consume leather. How long will it be before the Sandwich Islands will have a large import trade of sugar which we will have to distinguish from their home growth? At the present moment, although the treaty has not been in operation two years, we hear that importations of crude sugar into the United States from the Sandwich Islands have been challenged, and are now the subject of litigation.

I beg of you, gentlemen, to look into this subject, and by your timely suggestions to nip in the bud these deep-laid schemes to deplete the Treasury.

But what shall be done with the litigation now pending? Most of the four thousand suits now pending could be settled by trying about ten or fifteen of them; for the principles involved in at least two thousand of the suits would be the same as in these few cases.

The merchants, so far as they have any interest, would most gladly join in any effort to facilitate these settlements. But, alas! the lawyers who represent by far the larger proportion of the claims are in no hurry; they seek delay until other and corresponding cases can be secured to their office. Being thus controlled, no man can say when we shall come to the end of this litigation.

My suggestion is this : That Congress at its next session shall be asked to pass an act taking all these revenue cases from the calendar of the present courts and refer them to a single judge, or, better yet, to a legal commission, whose duty it shall be to adjudicate and determine them in the most summary manner.

The next point to which I call your attention is what I shall call *a want of accommodation—absence of a disposition to adjust and make the best of obscure regulations and laws.*

This want of accommodation is observable both in the law and those who administer it. Let me illustrate by a single case under each head.

First, the case of my friend Barbour, about which he has told you something, but really not so much as he should; for although he don't look like it, he is really a modest man, and has concealed from you more than half of his grievances.

Let me state his case a little more in detail, so that you may see just where the blame comes. You will see, I think, that the law is all right, but the Custom-House department has been wanting in that spirit of accommodation and adjustment of which I complain.

In 1875 Mr. Barbour was invited by Act of Congress, February 8th, to erect a factory in this country in which to make flax thread. He accepted that invitation, and at once commenced to erect, at Paterson, N. J., a large factory for this purpose, which, when completed, will employ from 600 to 800 hands.

This act of invitation is contained in the following section (section 7, Act of February 8th, 1875) : "That all machinery not now manufactured in the United States, adapted exclusively to manufacturers from the fibre of the ramie, jute, or flax, may be admitted into the United States free of duty for two years from the 1st of July, 1875."

After getting his building ready, Mr. Barbour purchased his machinery abroad, where they knew how to make it, and where they had all the patterns. The machinery arrived within the time specified, and he made application to the Secretary of the Treasury to admit it free, under the Act already cited. Mr. Barbour was referred to the Collector of this port as having full power in the premises. Application was then made to the Collector, in due form, in the following letter :

"NEW YORK, 134 CHURCH STREET, April 23, 1877.

"GENERAL C. A. ARTHUR, *Collector of the Port of New York.*

"SIR : In the matter of ten cases of machinery $\left(\frac{\text{C B}}{\text{B}}\right)$ 2 4—three

cases, /B\ 1 7—seven cases) ex steamer Bothnia, said machinery being adapted exclusively to the manufacture of flax, we claim entry free of duty under Act of 8th of February, 1875, sec. 7. The packages are large and heavy, and we request you will have the goodness to order examination at our mills at Paterson, giving us the necessary permit for their removal. We have written on this subject to the Secretary of the Treasury, who, in a letter received to-day,—copy of which we enclose,—refers us to you as having all necessary powers in the premises.

"Yours respectfully,

"Barbour Brothers."

The Collector replied as follows:

"Custom House, New York City,
Collector's Office,
April 25, 1877.

"Gentlemen: I am in the receipt of your letter of the 23d inst., and in reply have to state the machinery referred to may be examined at your mills at Paterson after entry and payment of duty, and after payment of travelling expenses of the examiner.

"Very respectfully,

"C. A. Arthur *Collector.*"

It will not do for the Collector to fold his arms and say, "There was not presented to me sufficient evidence on the two conditions of the law—namely, *first*, that such machinery is not manufactured in the United States; and *second*, that it is exclusively adapted to make thread."

All the evidence submitted was confirmative on these two points, and consisted of the affidavits of the shippers and owners of the machinery.

Now if the Collector had any doubt on either of these points, it was plainly his duty to ascertain by his own or other experts what the facts were. But how could he do this while the machinery was packed in boxes? Hence the reasonableness of Mr. Barbour's request that the machinery should be allowed to proceed to Paterson (within one hour's ride of New York), and be placed in position, where a more intelligent examination could be made. But instead of accepting and acting on this suggestion, the Collector says substantially, Pay the duty first, and adjust these questions afterward—which, being put into a practical sentence, means, Pay your duty (probably including the whole machinery here and to come), from $60,000 to $80,000 in gold, and sue the Collector; and after two years of detention and the payment of many thousands of dollars in legal expenses, the money may be refunded.

This is what I call Custom-House red-tape. It is want of accommodation which, in this instance, amounts to an outrage upon the rights of a citizen.

The two questions involved cannot be settled any further than they are, short of actually setting up the machinery. If the Collector wishes to protect the government on the theory that Messrs. Barbour Brothers were irresponsible men, he could mark each piece with the initials of an inspector, who could be deputed to accompany the machinery to Paterson and there see the machinery piece by piece put together, or he could, in addition, exact a special bond for double the amount of the duties. But to fold his arms and say, *Pay* and then we will accommodate, is to deny justice to Mr. Barbour.

In July ensuing, the Act authorizing the importation of this machinery will expire. Then will come complications of a new character, and if it shall result in the reshipment of this machinery back to Europe, and the entire abandonment of the manufacturing enterprise, there will be no one to blame but our Custom-House officials.

The difficulties which Mr. Barbour has had with the appraisers' department in former years, and the signal manner in which by his courage and persistency he defeated their machinations, give color to the opinion that there exists some feeling in the appraisers' department against his firm. But the same perseverance on his part will ultimately win in this case as in all former ones. But if these practices were extended to importers of less strength and will, they would be obliged to succumb, as too many have been in former years.

I call your attention now to a case where the want of accommodation is in the law and the decisions of the courts.

Messrs. Scheftel Brothers are importers of French, German, and Swiss calf-skins. They had pursued their business all last year with satisfactory results, liquidating and paying their duties satisfactorily to the government. But when at the close of the year they received an account-current from their Paris house, they found on it charges for expenses paid on some calf-skins which were bought in distant parts of Germany and Switzerland, incurring charges for transportation before they reached Paris, where they were packed and finally invoiced for the United States.

The invoices which had been liquidated had the usual inland charges from Paris to Havre, which misled the consignees. But, remembering the oath which they had taken, on entering and declaring their invoices, that if at any future time they should find

that they had made a mistake which affected the amount of duties to the government, they would make known such variance, they at once went to the Collector, like honest men, and gave him this information. They were pointed to the law which imposed one hundred per cent on the delinquent importer as a penalty, although, as in this case, they informed against themselves.

This question has not yet been settled, and probably will not be for months or years. The whole amount involved is but a few hundred dollars, and but for the near approach of that "better time" when merchants dealing with the government may expect the same rules of morality and law extended to them which applies between individuals, these gentlemen would have submitted and paid according to "law and regulation." But as at present advised they will wait.

From the experience of the two hundred merchants who have written to our Committee, giving in much detail their cases, involving just the principles here involved, I might extend this discussion indefinitely ; and when next winter we shall meet the committees of the two Houses of Congress, we shall ask of these merchants the privilege of reading, perhaps of printing, their experience, which I venture to think will throw new light upon "how not to collect the revenue."

IN PURCHASED GOODS

the dutiable value is determined by cost price or market value, whichever is the highest.

IN CONSIGNED GOODS

the dutiable value is determined by the market value at the period of exportation in the principal markets of the country of exportation, provided such market value is not less than the invoice price—i.e., *the market value at the time when and the place where the goods were manufactured.*

Our counsel has truly stated both the conclusion of our Committee and the general sentiment of merchants as expressed in their letters to us, when he said that "*dutiable value should be uniformly ascertained by market value at the last port of exportation.*"

But I venture to so far go behind this expressed opinion as to say that, but for the fact that we have so many Custom Houses in the interior, most merchants would prefer "home valuation." Indeed, up to the hour when this subject was decided in committee, I judge that a majority was in favor of this method over

foreign valuation, and they were confirmed in this view by the further consideration that penalties and forfeitures on the English plan could under this system be adopted, as has already been hinted by me. Our Committee, however, have reached the conclusion that home valuation, as a basis for dutiable value, is not practicable, at least for the present; but I personally am so firmly convinced that home valuation is the simplest way out of most of our present troubles that I take the responsibility of speaking a few words in favor of that system.

Why should your Commission or our Committee be deterred from recommending so proper and so just a measure by any apprehension of political consequences? It is said the interior will never give up the patronage now bestowed through our revenue system. They will maintain their Custom Houses even if the duties collected fail to pay the cost of administration, as is now the case in many of them.

This assertion and assumption seem to me to yield up the whole question of revenue reform to a mere political expediency which is unworthy the reform era through which we are passing. It seems to me impossible that the great West, with its power conceded, will insist upon exercising it, to the great hindrance of this promised economy.

If the revenue were collected in the six or eight seaport cities with a competent corps of appraisers, then there could be no question about the superiority of this method of home valuation in arriving at dutiable value, since, besides giving a more certain and uniform result, all those perplexing questions of "charges" could be avoided.

I desire to express the hope that your Commission will give this question of home valuation fair consideration, notwithstanding the recommendation of our Committee, sustained by the opinion of a majority of our merchants.

Specific Duties should, wherever possible, take the Place of Ad Valorem.

It seems to me no answer to this proposition to say that universal substitution is impossible. Even if this is true, for the sake of comparative harmony, this substitution should take place wherever possible. We do not abandon our tariff system because it is one eternal incongruity, resulting in absurdities at each turn of our experience, but we keep on patching and tinkering the system by renewed legislation each year of our progress.

Every body realizes the difficulties of administering revenue laws which exact 60 to 100 per cent duties. It has been proven impossible to collect over 10 per cent on diamonds, and the attempt to collect 60 per cent on silks has been attended with the greatest demoralization, and this extreme duty must sooner or later give way to more moderate exactions. But still we keep on attempting the impossible, and wonder why men do not become accustomed to it. This strain upon the consciences of men will cease, in a measure, when specific duties shall take the place of ad valorem.

For a most intelligent discussion of this question of the substitution of specific for ad valorem duties I beg to refer to the report of the Statistical Bureau, by Edward Young, for 1872. This report closes with a most elaborate and, as I think, successful attempt to reduce all ad valorem to specific duties, giving the exact equivalent the one for the other.

Drawbacks and Debentures.

One of the most fruitful sources of possible fraud may be found in a system of drawbacks which has been instituted under section 3019 of the Revised Statutes. That section is as follows :

"There shall be allowed on all articles wholly manufactured of materials imported, on which duties have been paid when exported, a drawback equal in amount to the duty paid on such materials, and no more, to be ascertained under such regulations as shall be prescribed by the Secretary of the Treasury. Ten per centum on the amount of all drawbacks so allowed shall, however, be retained for the use of the United States by the collectors paying such drawbacks respectively."

The Treasury Regulations, article 819, provide that entry for the above drawback shall be made at least six hours before lading on vessel ; also that proprietor and foreman of the manufactory in which the articles were manufactured must make oath, the same to be attached to the entry, that the goods were manufactured wholly of imported materials on which duties had been paid.

The attempt to encourage manufactures in the United States has taken upon itself many forms. But this last one is the most comprehensive and doubtful of any yet devised. If it was possible always to determine, on the examination of manufactured goods, whether the raw material was wholly composed of foreign growth or production, there might be more safety in the system than now seems possible.

When the invitations of this statute shall become generally known, and its provisions availed of, the amount of drawbacks which will be called for will so deplete our Treasury that, in my opinion, its repeal or extensive modification will follow.

In lieu of bonds and oaths, hold the goods until the duty is paid. This is the grand panacea for half the ills we suffer.

When, fifty years ago, it was the custom of the government to accept the time notes and bonds of merchants in lieu of gold duties, as at present, there was some excuse for the distrust exercised. At that early day the notes held by the government were a first lien upon the merchant's property ; but now all that priority is rendered unnecessary by the requirement of the payment of *cash duties before any of the goods are delivered*, and there would seem not to be the least excuse for the bonds now so persistently demanded. The government says, " Give me the gold duty and then you can get your goods, and not before ;" and so long as the merchandise is good for the duties, there would seem not the least necessity for bonds ; and while the merchandise is in the actual possession of the government, and they have competent appraisers to determine its classification and value, what need is there to ask the consignee to swear about a matter that he cannot know as much about as the parties in actual possession of the goods? We may be told that these bonds are required to secure the balance due on final liquidation. But forty years' experience shows that less than one per cent will pay all such short payments.

The Government must be held responsible for the Acts of its own Agents.

By far the larger number of errors and omissions in the invoices of the importers arise from omissions in charges, such as " commissions," " inland freight," " boxes," " cartons," etc.

These omissions should be detected by the examiners and other officials of the government, and exposed at the time of entry, so that if the merchant has omitted them from ignorance, his remissness may be corrected ; and if from design, then he should be made to feel that his unfaithfulness is detected.

Let me particularize, so that we may see just the extent to which the Custom-House official should be held responsible for these omissions or errors, which, when allowed to pass, are so fatal to the integrity of the invoice.

Let me suppose that the invoice is one of silks from Lyons, in France. The clerk who examines this invoice knows that by law an arbitrary commission must be added to all invoices, whether such commission is actually paid or not. He knows that, from the nature

of the goods, silks must be packed in boxes which cost money. He knows that to bring boxes from Lyons to Havre, being the last port of exportation, "inland carriage" must be paid. He knows that this transaction is made in France, and therefore the invoice must be made out in the currency of that country—namely, in francs. He knows that a consular certificate must be attached. Now if any one of these conditions are omitted, it is his duty to notice the omission, and yet he seldom does this. If he does it at all, it is to give notice to some vigilant detective, who is to earn the commendation and pay of the Treasury Department for exposing the "rascally importer in his attempts to cheat the government."

If the appraisers' department allows goods to pass under a wrong classification, that department and not the importer should be held responsible. If, after a full exposure of the goods by samples, undervaluations are alleged even in this case, the government should be estopped from making reclaim after final liquidation.

It is the duty of the government to have competent expert accountants and expert appraisers. But if they should not have such, by defective methods of appointment, they have no right to hold the merchant for their remissness. Much complaint is made by importers that incompetent appraisers, to make good their own want of knowledge, exhibit invoices to their competitors in trade. This is a wrong which the government has no right to commit. If their appraisers of themselves have not the requisite knowledge, then the government should suffer.

What would a merchant in one of our Western cities think of a process which exposed not only the price but the description of goods which they brought to their customers, and told their competitors, besides, from whom they made their purchases? And yet, under our incompetent system of appraisement, these exposures are constantly liable to be made of the business transactions of our importers.

Whatever weakness or imperfection inheres in our system of revenue service should not, as now, be charged solely to the account of our merchants, but should be divided at least with those who control the administration of the service. Until such responsibility and comity can be established there must be the same friction and estrangement which at present exist. The efforts of your Commission, if properly directed, must tend to bring about a better state of feeling between the merchant and his government.